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# Latin America Report

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14 June 1983

## LATIN AMERICA REPORT

No. 2692

## CONTENTS

## COUNTRY SECTION

## INTER-AMERICAN AFFAIRS

Soviet Penetration in Southern Cone Topic of Concern (Manfred Schonfeld; EL DIARIO, 12 May 83) .....	1
---	---

## BARBADOS

Adams Presents Proposed 1983 Budget With Tax Increases (Various sources, various dates) .....	3
--	---

Budget Highlights	
Summary of Budget	
Text of Adams' Presentation	
St John on Tourism	

## Briefs

Cherries to Holland	22
Abuses by Diplomats	22
Exports to Canada	22

## BERMUDA

## Briefs

Rein on Development Corporation	24
Tourism Increase	24
Voter Registration	24
Rejection of Telco Rate Hike	25

## BOLIVIA

Industrial Protectionism Creating Problems in Andean Pact (Editorial; HOY, 10 May 83) .....	26
--	----

UDP Disintegration Seen Leading to Serious Consequences (Editorial; EL DIARIO, 18 May 83) .....	28
--	----

BRAZIL

Governor Tancredo Neves Analyzes National Political Prospects  
(Tancredo Neves Interview; MANCHETE, 9 Apr 83) ..... 30

EL SALVADOR

Guerrilla Dialogue Denounced; Bishops' Stand Criticized  
(Ricardo Fuentes Castellanos; EL MUNDO, various dates) ... 34

Anticommunist Secret Army Threatens Deputy  
(EL MUNDO, 12 Apr 83) ..... 36

GUATEMALA

Buonafina Accuses Economics Minister of Economy of 'Lying'  
in Cane Dispute  
(Nicolas Buonafina Interview; PRENSA LIBRE, 29 Apr 83) ... 37

PID: Reagan Needs Plan To Halt Socialist Spread in Central America  
(PRENSA LIBRE, 29 Apr 83) ..... 39

Unidentified Political Group Reportedly Planning Rios Assassination  
(PRENSA LIBRE, 28 Apr 83) ..... 40

GUYANA

Briefs  
Rice Harvest Problems ..... 43

JAMAICA

Stone Finds U.S. Insistence on Free Market Inconsistent  
(Carl Stone; THE DAILY GLEANER, 27 Apr 83) ..... 44

MEXICO

PSUM Initiates Drive for National Youth Organization  
(Julio Hernandez, Emilio Lomas; UNOMASUNO, 25 Apr 83) .... 46

PRI, PSUM Members Clash; 3 Killed, 10 Injured  
(Rogerio C. Armenta; EXCELSIOR, 27 Apr 83) ..... 48

CONASUPO Discourages Panic Buying, Hoarding  
(NOVEDADES, 27 Apr 83) ..... 50

CONASUPO Sets Up Food Distribution System at Lower Prices  
(EXCELSIOR, 30 Apr 83) ..... 52

Supply of Basic Foods Assured Through Year's End  
(EXCELSIOR, Apr 83) ..... 54

High Production Costs Contribute to Severe Milk Shortage  
(EL DIA, 20 May 83) ..... 56

PARAGUAY

Briefs  
International Reserves Growth 58

PERU

Trade Surplus With Japan \$217.8 Million in 1982  
(EL COMERCIO, 25 Apr 82) ..... 59

New Interior Minister on Terrorism, Human Rights  
(Luis Percovich Roca Interview; CARETAS, 2 May 83) ..... 61

ST VINCENT AND THE GRENADINES

Briefs  
Visa Racket 67

## SOVIET PENETRATION IN SOUTHERN CONE TOPIC OF CONCERN

La Paz EL DIARIO in Spanish 12 May 83 p 2

[Commentary by Manfred Schonfeld]

[Text] Although the ancient and obsolete concept of the "ABC" group was rejuvenated under the supposedly more modern and realistic form of the so-called "Southern Cone," actually the countries that make up that entity have very little in common, in political terms. The fact that at present all of them have military regimes (Argentina, Chile, Uruguay, Paraguay and Brazil, though we have already explained that the latter is too vast to be included in any subregional scheme) is just a very weak common denominator. The Argentine military regime lacks a clear orientation: For years now, in a constant pendulum-like swing between constitutional and de facto governments, the Argentine military has searched in vain for something resembling a "convergence" between them and the great masses, represented more than anything else by trade unions of Peronist origin. It cannot be said, however, that every member of the Argentine military seeks that; just one sector does. Thus, the situation is fluid; so fluid that despite its avowed anti-communism, Argentina has just joined, with more intensity than ever, the group of "non-aligned" nations which includes Cuba, Vietnam and others. For years these countries have been playing into the hands of the Soviet Union.

Therefore, the Argentine military regime (which, moreover, if it keeps its promise and nothing arises to prevent it, will soon cease to exist and will give way to a constitutionally elected government) has little or nothing in common with the Chilean military regime, which (at least so it is said) does not plan to hold elections for many years; or with the Brazilian military regime, which is following a slow road to institutional normality that entails an appearance of planning, in contrast to what is happening in Argentina at this time.

The same goes for the minor countries of the "Cone," Paraguay and Uruguay. The former has spent the past generation, more or less, under an iron one-man dictatorship, and is the veritable fief of Gen Stroessner and his friends. In the latter country, however, the military took over without knowing exactly how, under the dual influence of Brazil on the one hand and Argentina on the other. This took place at a time when this small country, which was once a true model of democracy and constitutionalism for all of Latin America, had

suffered through a period of planned subversion; that is, the elements of the subversive international left had used it as a veritable laboratory experiment. (The experiment was a failure in the sense that the public resoundingly rejected the political forces that were known to sympathize more or less openly with the subversive elements; but at the same time the experiment triumphed in the sense that Uruguayan democracy was extinguished and replaced with a military regime, which was also rejected by an overwhelming majority of the citizens.) It could be said that that majority does not agree with the communist subversives, but neither does it agree with the method employed to govern the country and prevent subversion from breaking out again: All this indicates a civic maturity in Uruguayans that is evidently not yet possessed by the Argentines or the Brazilians or the Chileans, not to mention the Paraguayans. (Bear in mind that we always refer to the "average citizen.")

The Soviets are working incessantly in all of Latin America, without excluding countries such as those of the "Southern Cone." Even in the impenetrable dictatorial fortress of Gen Stroessner in Paraguay, there is social agitation manipulated by the leftists, who naturally find fertile ground in a poorly administered country that is exploited and even regimented. Leaving aside situations that are completely undefined, such as Argentina, among others, the "Southern Cone" is less easily penetrated than Latin American countries with intense underground currents of social discontent, with endemic problems of poverty, illiteracy and a coincidence of economic-social lines on the one hand and ethnic lines on the other. This ethnic differentiation, incidentally, will never be understood as long as Latin America is treated as if it were a racist society following the model of South African apartheid or the segregationism of the American South in the recent past. In this differentiation, as we mentioned, social class coincides with membership in certain ethnic groups. It is in that world where the communists are working enthusiasti-ally. Moscow had been broadcasting short-wave transmissions in indigenous Latin American languages such as Quechua (Peru and Bolivia), Aimara (Bolivia) and Guarani (Paraguay and parts of the Argentine province of Corrientes) for a long time before those languages became the object of a strong revival movement that is now promoting their folkloric and literary flourishing. Its strategy is, as can be seen, broad and multi-faceted. It is intense when there are intense conflicts, subversive when it comes to overthrowing dictatorships, politically "legitimate" when there is a possibility of reaching economic, social and intellectual power democratically. The latter includes even tolerance of dissidents, but no matter how far they stray from the orthodox Moscow line, they never cease to be useful allies for the Kremlin's purposes.

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## ADAMS PRESENTS PROPOSED 1983 BUDGET WITH TAX INCREASES

## Budget Highlights

Bridgetown THE NATION in English 28 Apr 83 p 1

[Text] Following is a summary of this year's Budgetary Proposals.

1. Reduction of surcharge granted to the Refinery on gasoline and diesel by 1.32 cents per litre or 5 cents per US gallon and an increase in consumption tax by the amount.
2. (a) Removal of surcharge of 7.480 cents per litre or 28 cents per gallon on kerosene.  
(b) Reduction in retail price of kerosene from 69 cents to 62 cents.
3. Reduction of surcharge on fuel oil from 5.333 cents per litre or 20 cents per gallon to 0.7925 cents per litre or 3 cents per gallon. Seven cents will go to Consumption Taxes to supplement financing of BNOC and 10 cents reduction will be used to reduce the fuel charge on electricity.
4. Limit at which higher rate of Consumption Tax applies to motor cars will be raised from \$16 000 to \$20 000.
5. Consumption Tax on cigarettes increased from 25 cents per five to 30 cents per five.
6. Consumption Tax on aerated waters will be five cents per bottle regardless of its size. Effective date April 28, 1983.
7. Removal of Consumption Tax on Falernum.
8. Removal of Consumption Tax on shingles made from wood.
9. Stamp Duty on documents processed by Customs Department increased by one percent--April 28.
10. Stamp Duty of \$10 imposed on all Exempt Insurance documents April 28.

11. Departure Tax increased to \$12 per person and distinction between CARICOM and non-CARICOM trips removed. Effective from June 1, 1983.
12. Terminal charge increased from \$1.50 to \$3 per person. Effective June 1, 1983.
13. A new travel tax of ten percent on airline tickets for journeys originating in Barbados. Effective May 16, 1983.
14. Annual licence fees for Barbados Light & Power, Telephone Company and Cable and Wireless will be \$750 000 from January 1, 1984.
15. Annual licence fee of \$30 per set for video tape recorders--effective April 28 with three months grace period for registration.
16. Annual licence fee of \$500 for every operation of a video rental service. Effective May 2, 1983.
17. Licence fee on black and white television sets will go from \$20 per year to \$30 and that on colour television sets from \$30 to \$40 with effect from May 2, 1983.
18. Annual licence fee of \$400 to operate dish aerials. Effective May 2, 1983.
19. Timeshare tax of \$20 per day for every hotel room which is occupied for that purpose. Effective from April 1, 1983.
20. Increase of one percent in the Health Levy with effect from May 2, 1983.
21. Special rates of Land Tax on land owned by a foreign company. In the case of unimproved land, a tax of three percent. The tax on improved land will be two percent. Effective from Land Tax year, 1983.
22. Tax on idle land increased from \$300 per hectare to \$500 per hectare annually. The existing limit of \$5 000 will be abolished and the rate of refund will be correspondingly raised to \$420 per hectare. Effective Land Tax year 1983.
23. Imposition of tax on severance payments as follows:
  - (a) Payments up to \$25 000 - tax free
  - (b) Payments over \$25 000 up to \$50 000 - 30 percent.
  - (c) Payments over \$50 000 - 50 percent.
24. A rebate of tax on severance payments will be granted on a proportionate basis in cases where a person remains unemployed for a period in excess of six consecutive months.
25. Top rate of income tax reduced from 70 percent to 60 percent.

26. Taxpayers earning up to \$7 000 annually will enjoy a tax credit of \$360 and those earning from \$7 001 to \$8 000 a credit of \$180.

27. Repair allowance of four percent increased to 10 percent in the case of ancient buildings which are being preserved. An approved list will be published.

28. Postal charges increased as shown in Appendix I.

29. Company fees increased as shown in Appendix II.

30. Distinction between specialist doctors and general practitioners subject to a registration fee of \$1 500 with effect from 1984.

31. Present fees on exchange control applications will be replaced with a final fee of one percent from June 1, 1983.

32. Bus fares to be increased to 75 cents from May 3, 1983.

33. From April 1, 1983, public officers will receive interim allowance of two and one-half percent monthly.

#### Summary of Budget

Bridgetown THE NATION in English 28 Apr 83 p 18

[Text]	CONSUMPTION tax on cigarettes increased from 25 cents per five to 30 cents per five.	Annual licence fee of \$30 per set for video tape recorders.
	Consumption tax on aerated waters will be five cents per bottle regardless of its size.	Annual licence fee of \$500 for every operation of a video rental service.
	Removal of consumption tax on Falernum.	Tax on idle land increased from \$300 per hectare to \$500 per hectare annually.
	Removal of consumption tax on shingles made from wood.	Imposition of tax on severance payments.
	Departure tax increased to \$12 per person.	Bus fares increased from 60 to 75 cents from next Tuesday.
	Terminal charge increased from \$1.50 to \$3 per person.	Interim allowance of two-and-a-half percent monthly for public officers.
	Travel tax of ten percent on airline tickets for journeys originating in Barbados.	

#### Text of Adams' Presentation

Bridgetown BARBADOS ADVOCATE in English 28 Apr 83 pp A-C

[Text] The Barbados Government yesterday presented a Bds\$650 million Budget from which it expects to collect Bds \$17.6 million.

In his presentation, which lasted for one hour and 42 minutes, Prime Minister and Minister of Finance, Mr. Tom Adams, said the island's higher levels of

income per capita and lower level of population growth had permitted it to absorb declines in real output without widespread hardship and deprivation.

"Following is the full text of the Budget:

"Spring is a little late this year, Mr. Speaker, as far as the Financial Statement and Budgetary Proposals are concerned, for not since 1979 have I presented them as late as the last Wednesday of April.

"But a little deliberation may sometimes be no bad thing, for I feel sure that in future years when we review the experience of the decade of the 80's, 1982 will be remembered as the year in which the concept of global economic inter-dependence became a reality. This will be so because the difficulties we are facing are worldwide in scope, affecting both the industrialized and the developing countries, regardless of their political structures. It is a crisis characterized by falling production and contracting trade, by rising unemployment and extreme volatility in interest rates and foreign exchange markets.

"As the Brandt commission so aptly observed, we have witnessed a severe and global contraction in every aspect of the World Economy, caused in the first instance by the decrease in

economic growth in the major industrial economies. Growth in these countries has traditionally been the locomotive which pulls the rest of the world along. It stimulates trade and capital flows and provides the means for the great summer and winter migration of the human species we call international tourism.

"It is therefore no surprise that the acute contraction in demand in the OECD countries has affected the rest of the world in varying degrees. None has been immune. In Eastern Europe, major crises have occurred in Poland and Rumania and the slow-down in trade with the West has created bottle necks in supply while the crippling debt service burden has caused considerable internal dislocation.

"The developing countries of course have been hardest hit with many countries in Africa unable to afford basic imports like food and energy. The crisis in Latin America in 1982 was the worst since the Great Depression. Per capita product in the region fell for the second consecutive year while the total output of goods and services dropped for the first time in 40 years. So

profound has been the effects of the recession on the World Economy that major petroleum exporters like Nigeria, Mexico and Venezuela which until a year ago seemed to have unlimited resources, are now confronted with serious economic problems which even the possession of black gold cannot solve.

"Like the rest of the world Barbados has experienced a decline of output and income and an increase in unemployment. However, despite our many and serious problems we have much for which to be thankful. Our higher level of income per capita and lower level of population growth have permitted us to absorb declines in real output without widespread hardship and deprivation. Our well developed social infrastructure operating through a network of transfers to the needy, has cushioned the impact of falling income levels on the most vulnerable sections of our population.

"Finally, the inevitable adjustment to temporarily declining living standards caused by factors outside our control has been carried out in an orderly and humane fashion by the design and implementation of a comprehensive and inter-related set of policies aimed at ensuring that the reduction in income is accommodated by compensating reductions in demand. These policies which are the sole responsibility of the Barbados Government, have been carried out with the financial assistance of the IMF.

"Despite the ill-informed and mischievous criticism of Barbados' relationship with the Fund, I think that every fair minded person viewing the disorder and

chaos which rules throughout most of the developing world and which has affected even countries abundantly endowed with natural resources, would have to admit that at least in Barbados we have minimised the impact of unemployment, we are still able to import and consume what we need, our people can still travel abroad freely and we can pay our debts. This is no small achievement in today's world!

"It has not come about fortuitously but as a result of conscious economic management. Yet paradoxically it is these policies which have been abused by the misguided and the malevolent who have suggested that these policies should be abandoned but who have no constructive, or indeed any, alternative to offer.

#### International Economic Developments in 1982

"The global recession continued to exact its toll on the economies of both developed and developing countries, some of which have had to devise stringent monetary, fiscal and other measures including currency devaluation and trade protectionism. Also, some countries, especially in Latin America, having exhausted their foreign exchange reserves were compelled to reschedule their foreign debt repayments.

"High real rates of interest in most countries worked counter to the expansion in investment and credit and, consequently, depressed economic activity. Demand remained weak for several of the primary products of the developing countries, which have in turn been weakened by contracting export earnings and severe balance of payments problems. Nevertheless, during the latter half of the year, nominal interest rates were lowered in the USA, a process facilitated by the contraction in the rate of inflation.

"Real Gross National Product in the 24 member countries of the Organisation for Economic Cooperation and Development (OECD), the rich man's club, is estimated to have fallen by 0.5 per cent in 1982, as compared to a real growth of 1 per cent of GNP in 1981. Growth in Japan was stimulated by the strong export sector and the country recorded a sizeable trade surplus in 1982 despite a fall of 1 per cent in industrial production and a decline of 3.9 per cent in output in the car industry, in particular at the end of the year.

"Real output in the USA declined by 1.8 per cent and industrial output was 8.0 per cent lower than in 1981. Output in West Germany and Canada declined by 1.2 per cent and 4.0 per cent respectively, but in the United Kingdom a marginal growth of 0.5 per cent was attained.

"Unemployment levels remained high internationally as the low economic activity could neither sustain nor generate adequate employment. 32 million people who want work in the

OECD countries cannot find it.

Towards the end of 1981 there was growing evidence that the inflationary surge generated between 1979 and 1980 was abating. In 1982 consumer prices in the industrialised countries grew at markedly lower rates than in 1980 and in 1981.

"The terms of trade moved against primary producers as the prices of commodities reached their lowest level in nearly half a century. Metals as well as food crops were affected. Of direct relevance to the CARICOM countries were the low prices for aluminium and raw sugar. Aluminium prices plunged to US 0.47 cents per pound while the London daily price of sugar was 81 pounds sterling per tonne in October 1982. However, by the last quarter of the year commodity prices were beginning to gain some strength.

#### Regional Economic Development

"Economic activity in the Caribbean region remained sluggish in 1982. The deepening international recession had the impact of substantially weakening the export-oriented sectors in the

Region. However, as a consequence of the sharp fall in prices in the industrialised countries, import prices stabilised and inflation rates in several regional countries moderated.

"Tourism continued to be affected by the recession in the industrialised countries but the decline in tourist arrivals was estimated at only 1 per cent for the region as a whole. Barbados and St. Lucia were hardest hit by the decline in arrivals but arrivals in the Bahamas and Jamaica increased by 10 per cent and 20 per cent, respectively.

"The volume of Banana exports volume increased by some 2 per cent in spite of lower sales from the Windward Islands, although earnings declined. Bauxite production was 29 per cent lower than in 1981 as the demand for aluminium at the international level remained weak and the average price dropped from 623 pounds per tonne in 1981 to 565 pounds per tonne in 1982. Output in Jamaica and Guyana both declined by an estimated 30 per cent and 28 per cent, respectively.

"Regional sugar production fell by 2 per cent to an estimated 810,000 tonnes, which was the lowest level in 30 years. Only in Belize and St. Kitts—Nevis did output increase. Many countries were hard-hit by unfavourable weather, unauthorised cane fires, pest and diseases, and labour problems.

#### The Barbados Economy, 1982

"In many respects, the performance of the domestic economy was conditioned by that of the international economy. The recession in the economies of Barbados' major trading partners further deepened during 1982, contracting their output, increasing their unemployment, decreasing their disposal income and depressing demand. The result was that the export-oriented sectors were considerably weakened. The CARICOM and domestically-oriented sectors performed more favourably but could not offset the decline in the external sectors.

"Provisional data show that Gross Domestic Product in Barbados at factor cost, in current prices increased by only 5.7 per cent to Bds \$1.804 billion. This nominal GDP growth rate was lower than the 11.6 per cent recorded in 1981 and the 27.9 per cent nominal growth for 1980. Real GDP declined by

4.6 per cent in 1982, following a drop of 2.8 per cent in the previous year. The only sector in which there was positive real growth was "Non-Sugar Agriculture and Fishing", which recorded real increase of 8.0 per cent.

"The contribution of sugar to GDP fell from \$69.8 million in 1981 to \$58.4 million or 3.2 per cent of GDP in 1982 in nominal terms. The real value of sugar production fell by 7.5 per cent in 1982 in contrast to a decline of 30 per cent in 1981.

"Total vegetable production in Barbados was 37 per cent higher in 1982 than in 1981. Poultry production rose by 11.7 per cent and pork production increased by 38 per cent during the year.

"Activity in the Manufacturing sector contracted somewhat, following the depressed external demand for domestic products. However, electronic components and garments recorded growth. Nominal output in the Manufacturing sector increased from \$203.9 million in 1981 to \$219.4 million in 1982 but the real component was 1.3 per cent lower than in 1981.

"The tourism sector experienced a reduction in tourist arrivals and in cruise ship passengers. Stayover arrivals were down by 13.5 per cent and cruise passengers down by 20 per cent in 1982.

"Nominal value added fell by 12.3 per cent, and real by 14 per cent. The sector also contributed a smaller share of GDP in 1982.

"Largely reacting to the impact of diminishing activity in the productive sectors, the performance of the Construction sector was weaker than in 1981. Real output fell by 3.9 per cent in 1982.

Gross Domestic Product at Market Prices in 1982 was \$2.01 billion compared to \$1.906 billion in 1981. Personal Consumption expenditure declined from \$1.35 billion in 1981 to \$1.34 billion. This was the first year that nominal personal consumption expenditure has fallen since 1976. Its share of GDP at Market Prices also declined from 70.7 per cent in 1981 to 66.6 per cent in 1982.

"Government Consumption expenditure fell marginally from \$287.7 million in 1981 to \$284.3 million in 1982 and was 14.1 per cent of GDP at Market Prices.

"Gross Capital Formation dropped significantly from \$494.8 million to \$424.7 million or by 14.2 per cent, indicating that the economy began to feel the squeeze of the international recession. The share of Gross Capital Formation in total expenditure fell from 26.0 per cent in 1981 to 21.1 per cent in 1982.

### Prices

"There was better news on prices in 1982 with a sharp fall in the rate of inflation from a point-to-point rate of 12.3 per cent at the end of 1981 to 6.9 per cent at the end of last December. The annualised rate of inflation was the lowest recorded in Barbados since 1976, the result of lower rates of imported inflation as well as the strength of the US dollar to which the Barbados dollar is pegged. The average annual rate of inflation fell from 14.6 per cent to 10.3 per cent.

"Average food prices in 1982 increased by only 2.5 per cent as compared with 12.6 per cent in 1981 and in fact the index for food prices has decreased continually every month since August, 1982. The price index for food at the end of last month was less than it was at the end of April last year. Prices in the housing group still remained high, but for clothing average prices were slightly lower at the end of 1982, than at the end of 1981.

"The 1982 rate of inflation in Barbados was lower than the rates for Canada, Jamaica and Trinidad and Tobago; but higher than those in the USA and the United Kingdom.

### Unemployment

"The average rate of unemployment as a percentage of the labour force, in 1982 stood at 13.6 per cent, compared with 10.8 per cent during 1981. The labour force increased from 114,300 persons in 1981 to 115,100 in 1982 while the number of persons employed decreased from 101,900 persons in 1981 to 99,400 last year.

"The Labour Force as a percentage of the total number of adults stood at 64.8 per cent. This is a very high participation ratio for a developing country and is more in line with the ratio in richer, developed countries. The proportion of adults actually working in Barbados far exceeds that of most developing countries and is not much different from that in many countries in today's developed world.

"Even in the face of adverse economic conditions both domestically and internationally, Barbados has therefore been able to maintain a relatively high level of employment, and to contain to a reasonable level the disturbing world-wide phenomenon of increasing loss of jobs. The most recent figures derived from the Household Sample Survey suggest that unemployment may have stabilised at the end of 1982 when the rate was 13.3 per cent.

"During the last quarter of the year there were 14,900 persons unemployed, of whom 6,400 persons were males and

8,500 females. This represents an increase of 2,300 over the figure for the last quarter of 1981. Some 8,000, of those unemployed or more than half were under the age of 25 years, whereas only 1,600 were over 40 years old.

"This clearly indicates that the thrust of the Government's efforts to generate employment must continue to be geared towards matching a supply of jobs with the needs of the young and relatively unskilled, especially female, segment of the Labour Force. The Government's unemployment benefit scheme came into force in 1982, and has been of assistance to a number of persons who lost their jobs, mainly older workers who could more easily qualify under the present somewhat stringent conditions. A study of these conditions is now underway.

### Monetary Review

"The monetary policies of the Government in 1982 were designed to contain domestic expenditures to a level consistent with reduced foreign exchange earnings from the leading external sectors. The liquidity requirements for commercial banks were raised and selective credit controls were further tightened.

"These measures restricted access to credit for consumer durables and controlled the rapid growth in imports experienced in recent years. On March 3, 1982 the increase in the liquid assets ratio of the commercial banks was raised from 25 per cent to 27 per cent of deposits. This had the effect of shifting more of Government's financing requirements on to the commercial banks and of reducing the liquidity of the commercial banking system.

"To ensure that there was still adequate financing for the needs of the producing sectors, the Central Bank made its special discount schemes for these sectors more attractive by widening the margin at which commercial banks could on-lend. By year end \$11.3 million was outstanding under the various schemes compared with \$1.6 million at the end of 1981.

"Interest rates in Barbados were kept in line with rates abroad to reduce the incentives for businessmen to keep money abroad. Domestic interest rates were high for most of the year with the average lending rate at 15 per cent and the minimum savings deposit rate at 8 per cent. However, as interest rates abroad declined, the average lending rate was first lowered to 14 per cent and the minimum rate on savings deposits to 7 per cent. These rates were again lowered on December 1 to 13 per

cent and 6 per cent. The rate on residential mortgages was at the same time reduced from 12 per cent to 11 per cent.

"Already in 1983, as foreign rates continued to fall, I have authorised a further lowering of the average lending rate to 12 per cent, effective April 1.

#### Balance of Payments

"Domestic exports in 1982 grew by more than \$86.7 million or 29.2 per cent over the 1981 figure reaching \$383.7 million. Total exports, that is including re-exports, increased from \$391 million in 1981 to \$528.6 million despite the acute drop in sugar export earnings. Retained imports fell for the first time since 1957, as restrictive credit conditions curbed the growth in consumer imports while manufacturers ran down their inventories of intermediate goods in the face of declining sales.

"Total imports were some \$45 million or 3.9 per cent lower than in 1981. Capital goods imports were higher in 1982 mainly to meet the requirements of the cement plant and power projects.

"The merchandise trade gap narrowed from \$760.3 million in 1981 to \$577.5 million in 1982 but reduced earnings from tourism, other services and net transfers widened the current account gap on the Balance of Payments.

"Export of electrical parts and clothing were very strong and led the way in the manufacturing sector. Trade with the USA and CAICOM remained strong and these two areas accounted for the main thrust of export earnings for Barbados. Exports to the United Kingdom also showed a substantial increase during the year.

"As a result of substantial capital inflows, the Balance of Payments recorded a surplus of \$5.0 million as compared with a deficit of \$76.0 million the previous year. The International reserves were much healthier at the end of the year, increasing by \$54 million as compared with a decline of \$48 million at the end of 1981. They now stand sufficient for over three months imports, one of our best positions ever.

#### Prospects for 1983

"Mr. Speaker, looking to the future, recent developments seem to offer some hope for improvement in the World economic climate. Although the signs are uncertain and doubts persist in some quarters, the significant decline everywhere in rates of inflation and nominal interest rates combined with the prospect of further falls in oil prices appear to provide the stimulus for renewed growth in many of the

major industrial countries.

"In the United States, where under-utilised capacity and continuing high levels of unemployment provide great scope for non-inflationary growth, the more optimistic economic forecasters are predicting output growth reaching an annual rate as high as 5 per cent in real terms by the fourth quarter of 1983. Similarly, expectations are that the United Kingdom will experience 2 per cent real growth in 1983; with higher rates forecast for West Germany and Japan.

"The optimistic view then of the World economy in 1983 is for a gradual but steady recovery of the growth of output and income in the OECD countries.

"Clearly, if they are indeed realised, the beneficial impact of these developments on the Caribbean countries in general and Barbados in particular will take sometime to be felt. The result of higher incomes in North America and Europe will hardly be felt in any significant way before 1984.

"However, if recovery in our major trading partners becomes a reality in 1983, we can be sure that we will have seen the light at the end of the tunnel. We must therefore not falter now. We have accomplished much by our discipline and willingness to bear sacrifice. We need to continue policies of restraint and caution a little while longer, in the hope and expectations that when the upturn in the international economy comes our institutions and productive structure, as well as our social cohesion remain intact, so that we can once again return to the path of growth and improved living standards which we experienced prior to 1981.

#### FINANCIAL REVIEW

##### Revenue

"I turn now, Mr. Speaker, to the review of the domestic financial year ending March 31, 1983. The current revenue for the year was originally estimated at \$494.4 million.

"Provisional data suggest that actual collections at March 31, were \$495.5 million. This represents an increase of \$25.7 million or approximately 5.5 per cent more than revenue collected during the fiscal year 1981-82.

##### Expenditure

"Current expenditure for the financial year 1982-83 was originally estimated at \$501.5 million. During the year, supplementary provisions were approved for \$51.8 million, making a total current expenditure authorised by Parliament of \$553.3 million.

"Throughout the year efforts were made to restrict the growth of expenditure, and provisional information indicates that actual expenditure at March 31 was \$503.5 million, including a slight loss from the operations of the Post Office. This represents an increase of \$30.1 million or approximately 6.4 per cent over 1981-82.

"In addition, in a special transaction, expenditure in the sum of \$24.9 million was charged to the Current Expenditure Head, "Loans and Advances" to arrange the purchase of the local petroleum production facilities owned by the Mobil Oil Company.

"The approved estimates of capital expenditure for the year 1982-83 amounted to the sum of \$138.4 million. During the course of the year, supplementary provisions of \$9.6 million were granted to make the total capital expenditure approved by Parliament \$148.0 million. Provisional data put the actual expenditure at March 31 at \$112.7 million or \$60.4 million less than the expenditure incurred during the 1981-82 fiscal year.

"During the financial year under review several of the major projects started in earlier years came to an end. This is one of the chief reasons why there has been such a significant decrease in the level of capital expenditure.

"In addition, a decision was taken not to begin any large projects as part of a serious effort to reduce the overall deficit of the public sector.

"Thus, Mr. Speaker, we see that the original overall deficit was estimated at \$145.5 million and that by the end of the year it was actually \$145.6 million. This represents approximately 7.2 per cent of the estimated Gross Domestic Product at market prices for the year 1982. When the National Insurance surplus is subtracted from the deficit and the operations of the Airport, which are of a commercial character, netted out, the deficit by international reckoning standards is \$76.8 million or 3.8 per cent of GDP.

#### Public Debt

"The Public Debt at March 31, 1983 is provisionally estimated at \$728.4 million exclusive of the Government's overdraft facility at the Central Bank. Local borrowings amounted to \$372.7 million and foreign borrowings to \$335.7

million. During the later part of the year, interest rates on the euro-dollar market declined as a result of which, payments on the public sector debt were not as high as originally anticipated. They absorbed 2.0 per cent of total export earnings compared with 1.1 per cent in 1982. Thus, Mr. Speaker, in spite of a slight increase in the size of the national debt, the foreign debt service ratio continues to be very modest by internationally accepted standards.

#### Review of the IMF Programme

"Mr. Speaker, I consider that I should say a word at this stage about the relationship between Barbados and the International Monetary Fund.

"Barbados' approach to the IMF was envisaged in last year's Budget. I referred to the then public sector deficit, which I said, would best be compensated for by institutional and non-commercial borrowing from the International Financial Institutions of which Barbados was a member. I went on to say that the mere mention of the International Monetary Fund and the World Bank, of course, tended to create dismay in the public mind, but that Governments which recognise their problems early "and take early corrective action (often requiring sacrifice) do not need to fear association with these institutions since the valid efforts at self-help will attract the assistance of the International community". That was what I said in the Budget on March 31 last year, and the second Brandt Commission Report on North-South cooperation for world recovery—not a document which goes out of its way to praise the IMF—has since agreed with my views on going early to the Fund to avoid drastic measures later.

"Notwithstanding the reputation which IMF Agreements have for imposing harsh conditions on Governments which seek its assistance, the only conditions attached to the Barbados Stand-by were various credit ceilings on borrowing by Government and Government agencies which I have already explained to the House and to the public.

"The record shows that Barbados has met all the tests of the Programme with relative ease, and I announced this in the House earlier this month.

"Notwithstanding the facts, efforts have recently been made to discredit the economic performance of the Government in relation to the IMF Programme. In particular, the Press and the broadcast media, both local and

overseas, have carried a report that the IMF and the Government are locked in a battle over a new Agreement because, it is alleged, the Fund has recommended that the Barbados dollar be devalued and that the Government is resisting this recommendation. I have already commented, Mr. Speaker, that I regard this totally false allegation as the most dangerously irresponsible statement I have heard in 20 years of public life; for there are few things more damaging to the immediate financial comfort of a country than a deliberately false rumour of devaluation. Fortunately, I do not have to use my own words further to describe the fact that it is entirely false, since an IMF official speaking in Paris on April 13 to a meeting of donors of the Caribbean Group in Economic Development specifically denied the rumours in the Press and told the donors that there was no disagreement between Barbados and the Fund over exchange rates.

"The IMF official also said that Barbados' performance under the IMF programme so far had been commendable, and that in light of the determined adjustment efforts undertaken by the Barbadian Government in the present difficult international environment, and Barbados' encouraging performance under the arrangement so far, the Fund lends its strong support to the Government of Barbados' appeal to the international community for financial assistance on the scale envisaged".

"Mr. Speaker, there are few misrepresentations more sinister than misrepresentation based on half truths or misrepresentations based on one or two ill-understood paragraphs of documents where the underlying structure of the subject matter is not fully grasped. I am therefore making available the entire documentation of the Stand-by Arrangement submitted to the Board of the IMF, in August, 1982 and I have made arrangements for it to be laid earlier today.

"I am aware that the material is long, technical and even perhaps obscure in places. It is written by technicians for technicians.

"It is normally treated as confidential but the Government does not intent to let the peace and order

of Barbados be any longer disturbed by phoney revelations and downright mischievous misrepresentations about the IMF. And I would say in conclusion, Mr. Speaker, that it is time that all of us in Barbados put an end to these scare tactics.

#### Public Finances

"Mr. Speaker, I consider that during the fiscal year 1983-84 some steps must be taken to strengthen and improve Government finances. Current revenue, estimated at \$508.6 million is \$6.8 million less than estimated current expenditure of \$515.4 million. When this current account deficit is added to estimated capital expenditure of \$122.8 million, the 'overall' deficit of \$129.6 million would amount to 5.6 per cent of estimated GDP. The traditional perception being that Barbados is a very highly taxed society, I have given careful thought to the taxable capacity of the economy and to the tax effort which the community can be expected to make in return for the various benefits and services which are derived from the payment of taxes.

"The concept known as 'tax effort', is usually determined by the ratio of tax revenue to Gross Domestic Product.

"The ratio of revenue to GDP in Barbados compares favourably with that in the more developed countries and our tax effort is among the strongest in the developing world. However, there are indications that the revenue ratio has declined over the last few years.

"If we examine the situation between 1974 and 1983, we will discover that the ratio in the 1982-83 fiscal year was only 24.6 per cent of GDP which is below the average of 26.1 per cent for the period and is lower than that for every year except 1974-75 when it was 23.4 per cent. It is very considerably less than 1978-79 when it was 29.4 per cent. And this high revenue collection was what made possible our great economic expansion of 1979 and 1980.

"The decline is understandable when you consider that the real value of taxes and fees which are fixed in money terms decline with inflation; and that, during recessionary times, consumption patterns may be curtailed with the result that taxes from such sources will drop. That is why, Mr. Speaker, it is necessary to review the

rates and the level of fees charged for services from time to time.

"Mr. Speaker, while I do not expect that the relationship between revenue and GDP can immediately be restored to the high point of 1978-79, I consider that it is necessary to arrest the decline so that the Public Finances will be able to continue to support a reasonably high level of services to the community.

"Therefore, Mr. Speaker, in order not to impose any undue hardship on any particular section of the community, I have been careful to choose those areas where the burden will be least felt in my budgetary proposals.

#### PROPOSALS

##### Indirect Taxation

##### Consumer taxes--Petroleum

"I will start my Budgetary proposals with indirect taxation. Mr. Speaker, in an area where I propose to make major and substantial changes but where fortunately the taxpayer consumer will not be called on to pay any increased charges. I refer to taxation on petroleum products.

"The Government's policy on energy is basically to maximise local production of crude oil and natural gas, to explore all possibilities of alternate and renewable sources of energy, and to effect conservation wherever possible. These measures are aimed at reducing our dependence on imported fuels.

"In July last year, the Government through the National Petroleum Corporation acquired for \$24 million the local production assets of Mobil Exploration Limited. In January, 1983, the Barbados National Oil Company was established to carry on the oil-field operations previously undertaken by Mobil Oil Exploration Limited. The Government has also undertaken a number of other energy projects. We are proceeding with our plan to set up a pilot plant to determine the full potential of generating electricity from wind resources. Preliminary research work aimed at determining the wave energy potential of the south eastern coast of the island is continuing.

"The tax incentives provided in previous Budgets for the development of the solar energy industry has led to a substantial increase in the number of solar water heating units installed on the island.

"Successful efforts have been made, at the technical level, to feed electricity generated at sugar factories from excess bagasse into the national grid. There is a joint Government-UN Development Programme Project for manufacturing energy saving equip-

ment in Barbados to be used in hotels.

"We are not only concerned about increasing the indigenous supply of energy, but also in ensuring that the energy available to us is used efficiently, and work on a Government and World Bank Project on energy conservation has already started.

"Mr. Speaker, all these projects are costing money and this year's drop in oil prices presents Barbados with two problems. On the one hand we have to decide how far to distribute to consumers the benefit of the US\$5 per barrel reduction, and on the other how to maintain our expenditure on alternative energy and local petroleum exploration. Firstly it must be pointed out that the fall in the oil price will affect the revenue of the Barbados National Oil Company; and secondly we can by no means be sure that the new price represents a new stability. Accordingly, I have decided that there will be no change in the retail prices of gasoline and diesel, but that I will pass on the benefits to consumers of electricity and of kerosene. As I said in the House last week, Mr. Speaker, it is not proposed to allow Mobile refinery to make any excess profit as a result of the fall in the price of its feedstock. I therefore propose as follows, starting at midnight tonight:

"1. The present surcharge granted to the Refinery on gasoline and diesel will be reduced by 1.32 cents per litre, or 5 cents per US gallon and the consumption tax increased by this amount. Motorists will not pay more, as the refinery will bear the whole tax."

"2. The surcharge of 7.480 cents per litre, or 28 cents per gallon on kerosene will be removed, and the retail price of kerosene will, from midnight tonight be reduced from 69 cents a litre to 62 cents a litre. I am aware that less kerosene is used than in the past, but I am granting this concession to the old age pensioners and lower income earners who are now its main consumers."

"3. The current surcharge of 5.333 cents a litre or 20 cents a gallon on fuel oil will be reduced to 0.7925 cents a litre or 3 cents a gallon. Seven cents of the seventeen cents reduction per gallon will be converted to consumption tax and used to assist in supplementing the finances of the Barbados National Oil Company whose annual revenue will now fall by approximately \$5 million. The remaining 10 cents reduction will reduce the cost of fuel oil, mainly to the Electric Company whose customers will immediately benefit by a lower fuel charge. This, coupled with the sharp fall in the fuel charge coming about as a result of the efficient new machinery

recently installed with the aid of a government guarantee, means that there will be some cushion to allow consumers of electricity to absorb any price increases arising from other causes. Electricity has in fact risen considerably less in price, than any other item since the new cost of living index was introduced in 1980.

"These proposals complete an energy pricing package that has been underway since the start of this month. On April 1, 1983 I removed a special margin of 7 cents per gallon on gasoline, diesel and kerosene then being granted to marketing companies to make up for past losses and converted it to revenue by way of consumption tax.

"The measures I have taken today, combined with those of April 1, will produce government revenue of \$5.1 million and will pass on \$3.4 million to the consumers of electricity and of kerosene.

#### Consumption taxes — Other Motor Cars

"In the area of other consumption taxes I will deal next with taxes on motor cars. The Government's action in removing import restrictions on motor cars has allowed the public to have a better choice of vehicle without the market distortion to which the previous regulations had led. As a result of representations that present taxation points were giving an unfair advantage to the very cheapest cars, which are sometimes not always of the best quality, I had to decide whether to make cheap cars a little more expensive or medium-priced cars a little cheaper.

"I have decided that it should become easier to purchase a better quality and I therefore propose as from tomorrow that, where the chargeable value of a motor vehicle (which means cost, insurance, freight and duty) does not exceed \$20 000 the rate of consumption tax will be 50 per cent. This means that for vehicles in the chargeable range of \$16 000 (the previous limit) to \$20 000 the cost of cars will be reduced by amounts of \$3 200 — \$4 000. This proposal is expected to cost the revenue \$600 000.

#### Cigarettes and aerated waters

"The arguments which I used last year in favour of increased taxation on cigarettes remain as cogent as ever. Our levels of tobacco taxation are low, compared with developed countries where the menace of lung cancer and heart disease from cigarette smoking are fully recognised. We are smoking over 150 million cigarettes a year in

Barbados, all made from imported tobacco. I propose to increase the consumption tax on cigarettes by one cent per cigarette with effect from midnight tonight.

"I also propose new consumption tax rates for soft drinks. In doing this I am not only seeking to raise revenue, but also to stimulate demand for local fruit juices which are much better for health than soft drinks and which are now being produced by the Pine Hill Dairy and another local company. My proposals will also effect some rationalisation of the tax system. I propose to abolish the distinction between drinks sold in containers of less than 207 ml. and those of more than 207 ml. but less than 355 ml. The new rate from tomorrow will be 5 cents on drinks of both these sizes. The rate for aerated drinks in metal containers will be a standard rate of 55 cents per container, irrespective of size.

#### Falernum

"Mr. Speaker, there is one drink that is exclusively Barbadian, made nowhere else and much appreciated. I refer to falernum. Falernum has suffered from high taxation in recent years, as it has fallen to be considered as a liqueur, taxed at a rate appropriate to expensive overseas drinks. I now propose to identify Falernum specifically in our classifications and give the drink an opportunity to rebuild its market by removing the consumption tax altogether. I cannot however promise that this happy state of affairs for drinkers of corn and oil will remain forever!

"Finally, Mr. Speaker to encourage the preservation of an old Barbadian building tradition and to help those elderly persons who still use shingles made of wood on their house, I propose forthwith to remove the consumption tax on this item. This is the first proposal of a scheme to encourage the preservation of old buildings in Barbados. After representations from the National Trust, the Barbados Workers' Union and others, the Government has decided, in consultation with the Trust to institute appropriate measures to give tax relief to owners of these structures, commercial as well as residential. The Town Planning Department is preparing lists of ancient buildings for preservation and I will announce another concession later on in my speech.

"The new revenue to Government of the consumption tax proposals is \$2.7 million, with concessions of \$700 000 making a net total of \$2 million.

#### Stamp Duty

"Mr. Speaker, the Government is

now considering certain improvements and extensions to the services performed by the Customs Department. Therefore, it is only reasonable for some form of additional revenue to be raised to assist with defraying the expenses involved. Thus, Mr. Speaker, I have decided that with effect from April 28, the Stamp Duty which is charged on documents processed by the Customs Department will be increased by 1 per cent. Also, in view of the new Exempt Insurances Bill which has added to the offshore services, provided in Barbados. I propose a new stamp duty of \$10 for all Exempt Insurance documents from April 28. It is expected that the additional revenue under this head will be \$7.0 million.

#### Airport Charges

"All of us are well aware of the fact that the facilities which have been provided at the Grantley Adams Airport are among the best to be found in the world. However, Mr. Speaker, the capital cost of the Airport in all was approximately \$60.0 million. In addition, the annual cost of maintenance, provision of services by the Airport Office, Customs Department, Immigration and Security Services add up to an amount in the vicinity of \$12.0 million, not to mention the cost of transportation of staff and fire protection.

"I am sure, Mr. Speaker, that none of us would disagree that airport charges should be constantly reviewed so as to ensure that the operating costs are recovered and that the airport pays for itself over a number of years. Consequently, I propose to make the following changes:

- "1. Departure Tax will be a uniform \$12 per person instead of the original charges of \$8 and \$10 per person.
- "2. Terminal Charge will be \$3 per person instead of the existing charge of \$1.50.

No changes will this year be made on Landing Fees. The changes will take effect from June 1, 1983, to allow for necessary consultation with airlines.

"The additional revenue from the above charges will be \$1.4 million.

#### Travel Tax on Airline Tickets

"On the same basis, I propose a new travel tax of 10 per cent on airline tickets for journeys originating in Barbados. Barbadians spend \$43 million annually on foreign travel, including the cash we take abroad and this is a form of expenditure on which the Government has now concluded that a tax should be imposed. It will be administered by the Commissioner of Inland Revenue and will come into

force on May 16, 1983. In a full year the tax should yield \$2 million.

#### Licence Fees

"Mr. Speaker, the public utilities of Barbados are a by-word for efficiency and coverage. We have 67 000 houses with electricity services and 40 000 domestic telephones. In recent years the real cost of these services has declined in relation to consumer income, but increasingly, Government has been called on to intervene by way of financial guarantee, regulation and Public Utility hearing. The cost to Government of administering and negotiating has greatly increased. I therefore propose as from January 1, 1984 to increase the annual licence fees for the Barbados Light and Power Company and the Telephone Company from \$500 000 to \$750 000. Also, I now propose to subject Cable and Wireless to a licence fee of \$750 000. Additional revenue from this measure will be \$1.25 million.

#### Telecommunications, Television and Video Recorders

"Mr. Speaker, the electronic entertainment business has grown enormously in the last few years. Video tape recorders have been flowing into Barbados, and now the dish aerial, capable of receiving satellite television programmes from North America and elsewhere, has made its appearance.

"With regard to Video Tape Recorders, trade statistics for the years 1980 to 1982 show that a total of 701 video tape machines were imported into the country at a value of \$814 089. The Government thinks this to be an enormous under estimation.

"It is believed that a considerable number of video tape recorders as well as video cassettes and tapes are brought into the island by passengers arriving at Grantley Adams International Airport as well as by various methods through the Bridgetown Port without passing through Customs. It is therefore difficult to determine precisely the number of video tape recorders in Barbadian households.

"However, we in the Ministry of Finance assume a figure of 5 000 sets which represents approximately 8 per cent of the households in Barbados with one set each. The video competes directly with the cinema industry, which faces a 20 per cent entertainment tax that it has to charge to customers.

"I now propose to introduce a licence fee for video machines of \$30 per annum per set. I propose a grace period of three months from today for people currently in possession of a video tape

recorder, to register their sets. After this period they will be liable to prosecution for being in possession of a set without a licence.

"A Video tape rental service business has developed alongside the growth in the purchases of video tape recorders by Barbadians, and I believe that this business too should make some contribution to the finances of the Government. There are approximately fifteen operators providing a video tape rental service and some of these operators have more than one outlet. There is some indication that they operate as a benign form of cartel, charging the same rates, laying down the same conditions for hire and blacklisting members—all in the interest of protecting their operations.

"I propose to introduce a licence fee of \$500 per year on each operator of a video rental service. Regulations for the conduct of their businesses will in due course be promulgated.

"I also propose to increase the licence fees on all television sets by \$10 per set for the benefit of the Revenue. The licence fee on a black and white television set will go from \$20 per year to \$30 per year and that on a colour television set will go from \$30 per year to \$40.

"The revenue increase expected from these charges and the increased fees for television sets and the measures in relation to video tape recorders is \$500 000.

"Dish aerials, the other new technology, will in future require a licence and I at this stage propose an annual fee of \$200.

"All these charges will come into force on May 2, 1983 and the charges will be collected by the Caribbean Broadcasting Corporation on behalf of the Government to be paid into the Consolidated Fund.

#### Hotel and Restaurant Sales Tax

"No increase in the percentage charged on Hotel and Restaurant sales is proposed. However I propose to deal with two specialised areas which appear to me to be contributing less than their fair share to this tax. First, sales in proprietary clubs will, from June 1, 1983, come under the ambit of the charge on restaurant sales. The second area is timesharing.

"I am satisfied that certain forms of timesharing, whatever their other merits, are highly effective means of avoiding the Hotel Sales Tax. Hotel space in Barbados is sold abroad for a lump sum, and the timeshare operators pay hotel sales tax on only the

relatively small sums remitted to Barbados to cover expenses. The entire timesharing operation will soon be regulated by new legislation but in the interim I am proposing that timesharing be specially charged to tax as follows:

- "1. Time sharing by way of a transfer of the fee simple will pay property transfer tax, as at present, and the Hotel Sales Tax will be charged only on any service charge associated with the operation and paid to the Hotel.
- "2. For all other timeshare operations the Commissioner of Inland Revenue shall deem any operation, unless he is satisfied that Hotel tax has been paid on the full consideration of a timeshare sale, lease or other arrangement, to be liable to a Timeshare tax.
- "3. The amount of the Timeshare Tax shall be \$20 daily for each day a hotel room subject to the tax is occupied, and the tax shall be in substitution for any other Hotel sales tax applicable to the room.

"It will be noted, Mr. Speaker, that the timeshare operators will have the option of making full disclosure of their operations to the Commissioner of Inland Revenue, paying the regular Hotel Sales Tax and avoiding the Timeshare Tax.

"Timeshare operators have been warned that a special taxation regime was in prospect as from April 1, 1983 and the timeshare tax will accordingly take effect from that date.

"The tax is expected to yield \$400 000.

#### Health Services

"The Government is committed to providing a National Health Service for every citizen, and in a few months we will be moving nearer to implementing the comprehensive plan announced not long ago. Before the end of the year the second phase will be introduced, when arrangements will be made for all persons over the age of 65 to register with the medical practitioner of their choice and have medical care paid for from the Health Scheme. The third phase, which will follow next year, will cover all citizens regardless of age.

"Consequently, in order to assist with the financing and especially with the start up cost, it is necessary to impose a small increase of 1 per cent on the existing Health Service Charge. This will be divided equally between employers and employees, one-half per cent each, and will take effect from May 2, 1983.

"This proposal is expected to realise an additional sum of \$8.0 million in a full year and even though there may be a saving this financial year because of the loss of a few months in implementing the scheme, when the scheme is fully implemented the expenditure will balance the revenue. The sum of \$6 million is expected in this financial year.

#### Direct Taxation

##### Land and Property Tax

"For some time now, Mr. Speaker, I have been concerned about the ability of certain companies to avoid the payment of property transfer tax when they sell land in Barbados. This can happen when land is effectively transferred as a result of transfer of shares in a company which is not incorporated in Barbados, or, if locally incorporated, is controlled by other companies capable of hiding behind a corporate veil located abroad. This represents severe discrimination against local landowners. I have decided, with effect from the Land Tax Year 1983, to introduce special rates of land tax for parcels of land owned by foreign companies, defined as companies either not incorporated locally or if locally incorporated, controlled by a foreign company or companies.

"The rates are as follows:

1. in the case of unimproved land, a tax of 3 per cent on the site value;
2. in the case of improved land, a tax of 2 per cent on the improved value.

So much Mr. Speaker for the Cayman Island Companies.

"These changes to the Land Tax rates will result in additional revenue of \$1.5 million in a year, and will go some way towards redressing the advantages that foreign owners of Barbados land now have.

#### Agricultural Land

"The Government has in recent years undertaken a number of initiatives to support agriculture in Barbados. The sugar levy system was modernised. The accumulated levy funds were applied to productive ends and increased resources were made available for research and development. A price support scheme, much superior in our opinion to the straightforward subsidies so prevalent in other countries, has brought new acreage under cane; and another incentive to encourage the cutting of cane without burning, has been so far extremely successful.

"Both these developments augur well for next year's sugar crop. And we are

hopeful that the spectacular success of non-sugar agriculture in 1982 will be repeated in future years. To this end, and to promote our plans for increasing sugar production the Government intends to step up the war against idle agricultural land.

"On a small, densely populated island like Barbados, the withdrawal of agricultural land from productive use in the hope of speculative gain continues to be unacceptable. I therefore propose that the rate of the idle land levy under the Land Tax Act will be raised from its present level of \$300 per hectare per annum to \$500; and the existing limit of \$5 000 will be abolished. The rate of the refund referred to in the Act will be raised correspondingly to \$420 per acre. The qualification for exemption will also be clarified. To qualify in future, holdings of 10 acres or more must be certified by the Commissioner of Land Tax to have at least 80 per cent of their total arable land in agricultural production. These changes take effect from Land Tax year 1983.

"The Government is considering what further financial and fiscal measures are needed to assist agriculture. But I must repeat my statement of last year that I have no intention of putting the section on Welfare, as some of its representatives seem to want. This Government will not pursue self-sufficiency at any price which can mean largely at the expense of the poorer sections of the community.

#### Severance Pay

"I turn now, Mr. Speaker, to a purely financial subject, that of Severance Pay. Barbados has the most generous severance payments provisions that we have been able to discover anywhere in the world. A worker made redundant in Barbados can receive up to almost three years pay tax free and enter new employment the next day — indeed in many cases workers stay in the same employment under a different employer. Employers contribute to a fund at the National Insurance pay limit, but have to pay severance for the years before they contributed at whatever level the employee earns, no matter how much higher than the National Insurance limit. Certain initiatives have already been announced by the Government, but I want to state now that it is not intended to take away the accrued rights to severance that anyone has already earned.

"But this is not enough to deal with the present condition of the law of severance. The great majority who receive severance are hardworking

persons who through no fault of their own have been made redundant. It cannot be right that a small minority, some of whom in managerial positions may have contributed to the circumstances which led to their severance should receive \$25 000, \$50 000 or \$200 000 tax free and \$200 000, Mr. Speaker is far from being the higher payment ever made.

"Severance payments can in fact be regarded as future streams of income received in a present lump sum, and, if received as income, would have been subjected to the appropriate rates of income tax.

"I therefore propose, as from income year 1983, to impose a tax such as exists in most countries, on all payments made on termination of employment, other than genuine retirement benefits, including severance and redundancy payments and compensation for loss of earnings on dismissal.

"The legislation, which will be in the form of an amendment to the Income Tax Act, will be coupled with a rebate scheme for persons who remain continuously unemployed for six months or more after they have been severed or dismissed. The rates I propose are as follows:

• Payments up to \$25 000 tax free.  
• From \$25 000 to \$50 000 tax will be charged at the rate of 30 per cent; and at 50 per cent on amounts from \$50,000 and higher.

• "Mr. Speaker, I would like to point out at this stage that the rate of tax on taxable income of \$20 000 is 50 per cent, and 60 per cent at \$30,000. The lower rates which I am proposing are in consideration of the problems associated with a person being severed and the difficulties usually encountered in finding employment in a short period of time.

• "For the collection of the Tax, I propose that employers and others liable to make termination of employment payments shall deduct the tax at source in the same manner as Pay As You Earn deductions and pay the tax over to the Commissioner of Inland Revenue under the same conditions as govern PAYE deductions. This comes into force immediately.

• "The tax rebate scheme on severance payments which I intend to introduce is designed to ease the problems of the severed or dismissed person who remains unemployed for a long period of time.

• "If the person who is terminated remains unemployed for a period in excess of six consecutive months from

the date of termination, a tax rebate, calculated on a proportionate basis in relation to the time period to which the payment relates, will be given.

"For example, a terminated person in receipt of \$50'000 in payments would pay tax of \$7 500. If the person remains unemployed for a period of eight consecutive months, then a rebate calculated at 1/3 of \$7 500 would be made, or \$2 500. If the person remains unemployed for 12 consecutive months then the full amount of tax would be refunded subject to a reasonable upper limit to be determined.

#### Income Tax

"Last year when I made certain adjustments to the income tax structure, I made reference to the fact that the top rate of 70 per cent applies at a taxable income at the relatively low level of \$40 000 and above. On that occasion, Mr. Speaker, even though I recognised that the situation was adversely affecting Barbados in its efforts to attract and retain skilled persons and to promote the island as a location for regional head offices, I indicated my inability to change it in a year of restraint.

"Barbados is not a country with wide disparities of income. The highest income reported to the Commissioner of Inland Revenue for Income Year 1981 for which records are available was less than \$300 000 and only 13 persons reported income of more than \$150 000. We are a middle income country in every sense. Very few countries in the world now maintain top rates of income tax as high as ours. Both in the United States and Britain the maximum rate of tax has been reduced to 50 per cent. As another step in reducing the burden of income tax in Barbados I propose as from Income Year 1983 to remove the 70 per cent rate altogether. The top rate of tax will now be 60 per cent. I would observe, Mr. Speaker, that our higher rates still apply at levels that are much too low and I will further address the problem of these higher rates when economic circumstances permit.

"The reduction of the top rate will affect approximately 900 taxpayers. I further propose to assist the 12 000 taxpayers whose gross annual incomes are less than \$8 000 by improvements in the tax credits.

At present a taxpayer earning less than \$6 000 gross receives a credit of \$360 against his tax liabilities, which effectively means that he pays nothing in income tax. Taxpayers earning \$6 001 — \$7 000 are given \$240 credit and those receiving \$7 001 — \$8 000 are given \$120 credit.

"I now propose to raise the credit for taxpayers earning up to \$7 000 to \$360 and from \$7 001 to \$8 000 to \$180.

"Finally on income tax, Mr. Speaker, I come to the proposals which I promised earlier to assist the owners of old buildings of historic or architectural interest. These are now being listed under the provisions of the Town Planning Act and the list will soon be published. For owner-occupied dwelling houses on the list I propose that the present annual repair allowance of 4 per cent of improved land tax value be raised to 10 per cent.

"The above changes will result in revenue loss of approximately \$2.7 million.

#### NON-TAX MEASURES

##### Postal Charges

"Mr. Speaker, I support the view that the Post Office should be treated as a commercial operation and as such should at least cover its operating cost from its revenue.

"During the fiscal year 1982-83 however, the Post Office operations were in deficit and another deficit is projected for 1983-84. We provide excellent postal services, Mr. Speaker, and to help pay for them I propose to increase the charges to make up the shortfall of revenue which is being experienced.

"My proposals, which are expected to yield approximately \$400 000 in a fiscal year, are contained in Appendix I to this speech and will come into effect from 3rd May, 1983.

##### Company Fees

"In the Budget of 1981, I made certain adjustments to the fees which are collected by the Registration office when companies are registered. However, since then, the cost of providing such services has increased and it is considered that some small increases should be made to offset the increased expenditure. Therefore, with effect from 3rd May, 1983 I propose to increase the company registration fees in accordance with the details shown in Appendix II to my speech. These charges will yield \$400 000 in a full year.

##### Registration of Professionals

"Last year, Mr. Speaker, I made certain changes to the registration fees for professional persons. On that occasion, the fee for specialist doctors was set at \$1 500 per annum and that for general practitioners was made \$1 000.

"However, Mr. Speaker, there has been some problem among members of the medical profession in determining who should pay the higher fee and who should pay the lower one. Therefore, I

propose, to abolish the distinction and to impose a fee of \$1 500 per year for all medical practitioners. This change will take place with effect from 1984.

##### Exchange Control Applications

"In the 1980 Budgetary proposals, fees were imposed to assist in offsetting the cost to the Exchange Control Authority of processing applications to remit funds abroad. The fee structure which varies according to the nature and size of transaction, is regarded as what is known as a multiple currency practice and as such runs counter to our international obligations. Accordingly, it is proposed, effective June 1, 1983 to substitute a fixed fee of 1 per cent on all applications to remit foreign exchange, with exemptions similar to those which at present exist.

##### Bus Fares

"This concludes my formal Budgetary Proposals, but still on the non-tax sector. Mr. Speaker, I must deal with an old perennial, The Transport Board. We cannot go on forever with the Board losing \$15 plus million a year. A wage increase for the employees which is due from April 1 cannot be accommodated within the present fare structure. The many new buses on the roads have to be paid for and maintained and we cannot have a service with buses running for 20 hours daily unless we are willing to pay for it.

"The weekly cost of transport, only \$6.00 to and from work daily if only one bus is needed, from anywhere in the whole country, is the lowest in the Caribbean. I will take this opportunity of announcing that the Minister of Transport has made an Order raising the bus fares from 60 cents to 75 cents as from May 3, 1983. No change is proposed in school children's fares.

##### Public Service Emoluments

"Finally, Mr. Speaker, an announcement rather than a proposal, although it will fall to be costed as a Budgetary measure. Last year at the time of the wages negotiations with the Public Service I gave an assurance that if the economic situation improved I would consider some additional sum to supplement the wage increase. The Barbados Workers' Union suggested that an additional \$5 million should be found.

"The Government's fiscal situation would not have allowed for any such increase, since there is a current account deficit of \$6.8 million to wipe off and we are aiming at a surplus of \$10-\$20 million, depending on the pace of economic recovery, to contribute to capital development and the reduction of unemployment. The taxes I have

imposed today should, however, put some funds in hand for all these purposes.

"From April 1, therefore, all public officers and persons paid from the Public Treasury will receive an interim allowance of two and one-half per cent increase of salary paid monthly until the next salary increase. It is described as an 'interim allowance' for the purposes of the Pensions Act.

"The gross cost will be \$5.8 million for public servants, \$557 000 for Government pensioners and \$380 000 for National Insurance and other miscellaneous charges.

"That, Mr. Speaker, concludes the economic statement and budgetary proposals. The proposals which I have delivered this evening are expected to result in increased charges of \$30.7 million and revenue loss of \$13.1 million as follows:-

#### Increased taxes

	\$m.
Consumption Taxes on Petroleum, including April 1st adjustment	5.1
Other Consumption Taxes	2.7
Stamp Duty	7.0
Airport Charges	1.4
Travel Tax	2.0
Licence fees for utility companies	1.3
Television and video licences	.5
Timeshare Tax	.4
Health Service charge	8.0
Land Tax	1.5
Postal Charges	.4
Company fees	.4
	<u>30.7</u>

#### Reduced taxes

Reduction of Consumption Tax on motor cars, falernum, shingles and kerosene oil	1.1
Income tax adjustments	2.7
Public Service Salaries etc.	6.7
Expenditure on Health Service	<u>2.6</u>
	<u>13.1</u>

"Thus, Mr. Speaker, the net additional revenue to the Government will be approximately \$17.6 million and I am sure that everyone will agree that in spite of some increased taxation, the burden has been kept to the minimum by a careful selection of the areas which have been taxed. We will now be

a little nearer restoring taxation's share of the Gross Domestic Product. General Economic situation

"Mr. Speaker, this afternoon I have dealt rather more with financial than economic measures. But these have been times when survival rather than development has been the issue.

"As explained earlier, the Government has had to pursue tight monetary, fiscal, and credit policies. But while all recognise that these conditions can only be eased by significant recovery in the World Economy, this is not to imply that nothing can be done in the meantime to mobilize additional resources and stimulate the productive sectors of the economy. Indeed, Government has formulated effective short and medium term programmes for assisting both households and businesses to gain access to credit and other resources for productive purposes and so maintain income and employment levels.

"In Housing, in Industry, in highway construction and transport improvement we have laid a solid foundation in the past 18 months for further takeoff. Our social security measures are coming to final fruition with the implementation of unemployment insurance and a National Health Service to be completed in a year and a half. Once more I say, we have much to be thankful for on this, our little Island.

"Mr. Speaker, 50 years ago President Franklin Delano Roosevelt said to the American People "the only thing we have to fear is fear itself". He said this at a time of major international economic crisis which was shaking the world.

"Today, as we face similar economic disorder I repeat his words to Barbadians. We have nothing to fear once we place our trust in God and good government. So let us put aside the petty hatreds that petty politicians promote that serve only to pull us all down in confusion. Let us remember what we have achieved and look forward to what we can achieve and will achieve. We can see a new light; let us go forward together, onward and upward to meet it."

#### St John on Tourism

Bridgetown BARBADOS ADVOCATE in English 29 Apr 83 p 1

[Text] Deputy Prime Minister Mr. Bernard St. John has said Barbados will not get the most from tourism unless "the local community realises its responsibility to welcoming tourists here."

Mr. St. John who pointed out that there had been a massive increase in visitor arrivals between 1976 and 1981 said that his Government was sorry that it could not improve on the numbers recently.

Mr. St. John, who is also Minister of Tourism, said that there was evidence that Barbados' flow of tourists from United States was beginning to improve, and with a new Air Services Agreement, this country was now really able to compete for the first time "with our neighbours from the northern Caribbean."

Speaking yesterday during the 1983 Budget Debate, Mr. St. John said that his Government was also hopeful that the United Kingdom's economy will improve and pointed out that there was some indication that an improvement in Canada's economy was coming soon.

"But these external factors, however much they will improve, will not permit us to derive our greatest benefits if the Barbadian community as a whole does not recognise that they have a responsibility to welcome tourists to Barbados.

"I would have hoped that the Democratic Labour Party at this late hour would have said that they join with the Government in attempting to persuade the public of Barbados that they must cultivate healthy attitudes towards tourism."

He also touched on the Caricom Multi-Lateral Clearing Facility pointing out that Barbados, more than any other CARICOM country, had increased its exports in the region in the last five years.

He said, "If we are to continue to increase our exports it is necessary for us to provide a level of credit which is competitive with the credit which the other Caricom countries can get from third countries who are trying to compete with us."

He said that there was no doubt that if one wanted to sell goods to a country like Guyana or to Jamaica that there must be some level of credit granted.

So that, to criticise the Multi-Lateral Facility for granting credit was to ignore the fact that the goods had been produced locally.

CSO: 3298/585

## BRIEFS

CHERRIES TO HOLLAND--Some 20 000 pounds of Barbados cherries are expected to make up the first shipment of the product as an export commodity. This was announced by General Manager of the Agricultural Commodities Trading Company (ATCO), Mr. Antonee Ashby, yesterday, during a Press conference at the Barbados Agricultural Society (BAS) headquarters. The cherries, which are destined for Holland, are expected to be ready for shipment in three to four weeks, the General Manager said. "A fair amount has already been collected," he said, "and these (cherries) are now being stored at the Barbados Marketing Corporation (BMC) cool rooms." Pricing of the cherries was not final as yet, he said, but the CIF (Cost, insurance, freighting) expense was likely to be around 82 cents per pound. He deemed the cherry market at present "very good", and added that final details of the transaction were now being completed. The cherries has so far shown a good margin of reception, and he added they were not an expensive product to grow. Barbados cherries are an excellent source of Vitamin C. [Bridgetown BARBADOS ADVOCATE in English

[30 Apr 83 p 1]

ABUSES BY DIPLOMATS--CARIBBEAN organisations with diplomatic privileges in Barbados are abusing those privileges and "running an open racket." Minister of State in the Prime Minister's Office, Senator O'Brien Trotman, charged in the Senate Tuesday. He said that the organisations used their privileges as a means of running their own customs departments and their own immigration departments. "They do not compete with Government," he declared, "they have taken over from government." The minister also noted that through the operations of these organisations, many television sets came into the country without the necessary duty being paid on them. Senator Trotman was moving second reading of a Bill to provide for the implementation by Barbados of the agreement establishing the Caribbean Examinations Council. He said the Council, although thought about since 1946, came into being in 1972 as a regional organisation. Since then, it has grown and had been setting and correcting papers in various subjects for students in the Caribbean. The Council, Senator Trotman said, set examinations at two levels and for this year, Barbados was expected to enter 3 490 candidates for the public and private sectors, offering 11 399 papers. [Bridgetown THE NATION in English 6 May 83 p 19]

EXPORTS TO CANADA--Barbados sold Can\$1.3 million less in goods to Canada last year than it did in 1981, while Ottawa recorded a Can\$20 million increase in exports to Barbados, according to Canada's High Commissioner to Barbados,

Allan Roger. He told CANA that Barbados exported \$8 million worth of goods to Canada last year, compared to Can\$9.3 million worth in 1981. Exports from Canada last year were valued at Can\$34 million against Can\$14 million in 1981. The diplomat said the main reason for the decline in exports to Canada was for the closure of Coopers Barbados Limited, which shipped millions of dollars worth of ice hockey equipment to Canada yearly. Barbados' main export to Canada is rum, which is exported in bulk. Barbados also exports electrical components and pharmaceuticals. "I am not happy. I think that there is room for improvement in trade between the two countries," the high commissioner said. Mr. Roger said that discussions were taking place in Canada between the government and rum producers on improving conditions for imports of Barbados rum. [Bridgetown BARBADOS ADVOCATE in English 5 May 83 p 1]

CSO: 3298/598

## BRIEFS

REIN ON DEVELOPMENT CORPORATION--The West End Development Corporation is to be stripped of its powers to excavate without the consent of the Planning Department, it was revealed in the Senate yesterday. Government Senator Gerald Simons, a former president of the Bermuda National Trust, said Government was now drafting regulations which would prevent the corporation from bulldozing again without the consent of the Planning Department. The news comes in the wake of the corporation's controversial bulldozing two weeks ago near Lagoon Park, one of Bermuda's first reforestation projects, to make way for a nursery. The Bermuda National Trust was outraged and called on Government to strip the body of its powers. Senator Simons also called on environmentalists sitting on the corporation's board to keep a vigilant eye on its activities to ensure they were environmentally sound. Board member, Mr. Alan Dunch, also chairman of the trust's environmental committee, has said he had never been told of the decision to bulldoze at Lagoon Park. New regulations governing the corporation were "regrettable", Senator Simons said, "but I think it's worth it for the protection of the land." [Excerpt] [Hamilton THE ROYAL GAZETTE in English 26 Apr 83 p 5]

TOURISM INCREASE--Tourism figures have received a welcome boost with the news that the number of visitors for the first three months of the year increased by 23.2 percent on 1982. The total for the first quarter was 68,234--12,856 more than last year. For March a figure of 38,358 was recorded--20.2 percent more than the same period in 1982. As last year was regarded as poor for arrivals the Tourism Department had a guarded reaction yesterday to the latest figures. "It is very encouraging," said Acting Tourism Director Colonel Tony Marsh. "We are cautiously optimistic that it will be a good year judging by the first quarter." The numbers of tourists from the United States, Canada and the United Kingdom all increased during the first quarter. Average occupancy was 57.2 percent, compared with 48.1 percent last year. The only decline was in group business--slightly down from 49.7 percent to 45.2 percent. [Excerpt] [Hamilton THE ROYAL GAZETTE in English 29 Apr 83 p 1]

VOTER REGISTRATION--Some 30,000 voters have registered on the electoral roll due to be published this summer, Registrar General Mrs. Valerie Scott revealed yesterday. Mrs. Scott was not able to give a precise figure as some of the 2,000 late registration forms may have been duplicated. Staff in the registration office are currently checking through forms to make sure that noone is registered twice. Registration forms were sent out in January and February

this year and voters have had until this week to check through the initial list to make sure their names are on it. The final list is published on June 15. If the final tally is around 30,000 the figure will be almost exactly the same as in the controversial 1982 voters' roll which was effective for the February General Election. Mrs. Scott was named in the PLP's "election petition" for an alleged failure to ensure that all eligible voters had been properly registered. [Hamilton THE ROYAL GAZETTE in English 4 May 83 p 2]

REJECTION OF TELCO RATE HIKE--The Telephone Company was yesterday stunned by the Price Control Commission's decision to refuse increases in charges. It comes as a double blow for Telco after public pressure forced the company to drop plans for six-cents-a-minute calls. The Commission ruled against a 14 to 18 percent increase in access charges and a 25 percent rise in the cost of local calls. Two main reasons were given: --Telco's finances are sound and not in need of an immediate boost from telephone users. --The proposed hikes could be inflationary. Telco General Manager Mr. Desmond Walker was bitterly upset by the decision and indicated that an appeal would be made to the Minister of Finance the Hon. David Gibbons. [Excerpt] [Hamilton THE ROYAL GAZETTE in English 7 May 83 p 1]

CSO: 3298/600

## INDUSTRIAL PROTECTIONISM CREATING PROBLEMS IN ANDEAN PACT

La Paz HOY in Spanish 10 May 83 p 2

[Editorial]

[Text] As in any association, be it of people or nations, problems arise in the daily course of events. One of the sources of friction among the partners in the Pact is industrial and even agricultural protectionism. Several countries—Venezuela stands out among them—have effectively forgotten certain norms that were agreed upon and that promote better understanding in regional commerce and trade.

For these and other reasons, including a reassessment of approaches to the future of development, the Agriculture and Livestock Commission met in Lima for its 36th Assembly. Delegates from Bolivia, Colombia, Ecuador, Peru and Venezuela attended the assembly at the level of undersecretaries and vice-ministers of agriculture. Deliberations concluded on the 7th of this month.

The Venezuelan plenipotentiary, Sebastian Segret, claims that the meeting was a success because elements were established to allow the Board to set forth new goals for a development policy within Andean integration. We cannot but be encouraged by the results. The more so as the pressures of a generalized crisis were endangering the very existence of the Pact. There is an urgent need to reactivate commerce and trade among the member countries.

According to the aforementioned official, it has been established that in some cases, precisely because of the increasing difficulties encountered in assisting the domestic markets of some countries, protectionism was used to strengthen local products, and that led to misgivings and imbalances. The Lima meeting provided some relief, and prevented the dichotomies revolving around protectionism from creating confrontations. In fact, the gathering made it possible to propose solutions that in the short run will allow the board to establish norms favorable to member countries and third parties. In this manner, the current crisis suffered by the institution will be overcome and integration will be strengthened.

The open willingness to find solutions and avoid obstacles to the improvement of the Andean Pact is perhaps one of the greatest accomplishments. Alfredo

Rabines, the Peruvian delegate, emphatically asserted that preferences will be maintained in subregional commerce.

This manner of behaving in the future will prevent the slide toward protectionism that so far has constituted the negative aspect of subregional integration. It should be added that a new strategy has been devised for specific agricultural and livestock projects and the additional products they generate. This fact will contribute to the struggle against food shortages in member countries.

An agreement was also reached to give preferential treatment to Bolivia and Ecuador in the agriculture and livestock sector through programs to stimulate that area.

The analysis of the natural disasters that damage production led to a consensus among the various delegations that surpluses from different countries can be used to bolster those who suffer such calamities. It was warned that if the Andean Pact nations do not take precautions, a veritable "food catastrophe" will occur in the subregion. Agreements were apparently reached to take preventive measures, and that is important. The fifth ministerial meeting will take place in Caracas in July.

Let us hope.

8926  
CSO: 3348/407

## UDP DISINTEGRATION SEEN LEADING TO SERIOUS CONSEQUENCES

La Paz EL DIARIO in Spanish 18 May 83 p 2

[Editorial]

[Text] The verbal war that has broken out within Democratic and Popular Unity (UDP) is an indication of the depth of a crisis whose solution is becoming more unattainable and which is keeping the public in a constant state of unease.

The hard line taken in communiqus and statements reveals the magnitude of the differences, which spill out into public light uncontrollably and apparently cannot be resolved even through a cabinet shuffle. If the disagreement is as serious as it appears, it is logical to assume that it will impair the government's functions.

Public opinion has every right to wonder about the viability of a government administration whose future components make a daily spectacle of their quarrels in the heated tone that reflects an all but total breakdown.

The communique released by the Movement of the Revolutionary Left (MIR) makes no bones about calling the minister of information, the government's official voice, a liar. If this secretary of state "falsifies the facts and tries to deceive public opinion," as none other than one of the member parties of the UDP asserts, what kind of credibility can he have with national opinion, which is witnessing this raucous bickering with a combination of shock and consternation?

The nation feels excluded from this jockeying for position, and cheated by certain officials who were unable to rise to the occasion and ruined the efforts of an entire nation to establish a serious, coherent and responsible government for itself.

It is deplorable that a mere temporary solution has been chosen, but it should be recognized that a feeling of increasing skepticism is invading the collective conscience with respect to a genuine reconciliation within the UDP. Everything seems to indicate, on the contrary, that this is not likely to happen, so many believe that the cure would be worse than the disease.

If the cabinet announced for August--in an inexplicable diversion from the current political crisis--is going to become a new battleground that will simply repeat, or perhaps magnify the existing deterioration, then nothing will be gained and the attrition in government will seriously jeopardize the future of democracy.

New hope has been aroused that the antagonism will possibly be overcome within 3 months. It is to be hoped that we are not witnessing the birth of a new frustration whose consequences could be even more serious!

8926

CSO: 3348/407

## GOVERNOR TANCREDO NEVES ANALYZES NATIONAL POLITICAL PROSPECTS

Rio de Janeiro MANCHETE in Portuguese 9 Apr 83 pp 40-41

[Interview with Governor Tancredo Neves of Minas Gerais in Belohorizonte]

[Text] On his first day in office, Tancredo Neves arrived at the Government Palace early and disposed of some matters with his private secretary and grandson, Aecio Cunha Neto. He then met with the government secretary, Renato Azeredo, and then went with him to visit the Palace of Liberty, where architectural changes, which took 2 years, were recently completed. We met the governor in the palace gardens, where he gave us this exclusive interview dealing above all with national politics.

[Question] What is the essence of your proposal for the adoption of a consensus on the next successor to the president?

[Answer] I believe that we have three alternatives where the presidential succession is concerned: the holding of direct elections, according to the program and the desires of the opposition in Brazil, with the approval moreover of 98 percent of the Brazilian population, or else we will have to have the electoral college choose a president. We do not have the numbers nor the quorum for amending the constitution and establishing direct election. I do not see how we can achieve this quorum prior to the coming elections. Thus we have to choose between a candidate who will be named by an electoral college, which has lost all its authenticity, its representative strength, and more than that, its legitimacy, or a candidate produced by consensus, which is truly the kind of candidate who can impose greater authenticity and legitimacy on the succession, within this anomalous picture.

[Question] Do you believe that you might be this consensus candidate?

[Answer] No. I am entirely excluded from any planning with regard to who will succeed President Joao Figueiredo. I have a commitment to Minas Gerais and I will honor that commitment to the last day of my term of office.

[Question] Do you intend to seek an audience with President Figueiredo?

[Answer] Not only is this my desire and my duty, but it is also a gesture of courtesy we cannot deny the president of the republic.

[Question] What do you believe the opposition line should be with regard to the federal government?

[Answer] It should maintain the program lines of the party, carry out its duty of checking on and criticizing the president of the republic, but without any radicalization, and within an atmosphere of neutral respect between the opposition and the government.

[Question] Do you expect that problems and difficulties will arise in your relations with the Planalto Palace?

[Answer] I hope not. I hope to get along with the Planalto Palace in an atmosphere of the greatest cordiality, on the basis of neutral respect, as I said just a moment ago.

[Question] Do you oppose or favor the formation of a PMDB [Brazilian Democratic Movement Party] governors' front?

[Answer] I have always voiced my opposition to such a front. Any front which is not justified on the basis of the constitution, the laws and the traditions of Brazil takes on the appearance of being a tool for intimidation and coercion.

[Question] Do you believe that the next president may be directly elected?

[Answer] We in the PMDB should struggle for this. However, the political reality which surrounds us indicates that only under exceptional circumstances could the election be direct. But no hypothesis, despite all the difficulties confronting us, should be excluded.

[Question] How do you view Brazil's difficulties in the economic sector?

[Answer] They are a real concern. Conditions are deteriorating further with every passing day. A great effort, a joint undertaking, will be demanded of all Brazilians if we are to rise above these difficulties.

[Question] Do you believe that Brazil should have gone to the IMF?

[Answer] Negotiations when we had a reserve of \$10 billion would have been preferable. After that opportunity was lost, we had no option other than the International Monetary Fund.

[Question] Taking over the government of Minas Gerais at such a difficult time, are you optimistic?

[Answer] Optimistic, no, but rather realistic. I believe that what we must not do is let our difficulties overwhelm us. We must confront them and master them.

### A Government Open to Collaboration

[Question] What is your attitude toward Sen Itamar Franco's opposition to the choice you made of two secretaries?

[Answer] He enjoys the right to reject and criticize the secretary and the choice.

[Question] What kind of government will yours be?

[Answer] Mine will be an open government, without any kind of restriction. I will always be ready to accept any sincere, constructive and loyal collaboration from anyone who may wish to provide it. This will be a broadly participational term of office, without factionalism or personalism. I need the contributions of all to deal with the terrible difficulties.

[Question] To what factors do you attribute the electoral results which brought you your victory?

[Answer] I would credit social, economic, political and party issues. The PMDB emerged from these elections as a great and powerful party, while the PDS [Social Democratic Party] emerged in disarray. Eighteen years ago, we had legal but not legitimate authority. These elections served to create the conditions for legitimacy in power.

[Question] When do you believe the time for contemplating the succession problem will come?

[Answer] It is still too soon to consider this matter, and on that position I agree fully with the thinking of President Figueiredo. Brazil has just emerged from an electoral campaign which profoundly shook the foundations and the structures of the nation. Now those of us responsible for the destiny of the country and the elected governors must be given time to allow us to become able at least to dominate the problems we will face. The succession should be delayed as much as possible.

### A Moderate Leader Equidistant From the Extremes

[Article by Murilo Melo Filho]

He is today the great moderate leader of the PMDB. Equidistant from the radical and extremist sectors of the party, he plays a most important role, like the cotton packing between crystal items.

He reacted violently against the suggestion made by Deputy Ulysses Guimaraes, who wanted to organize a majority bench of opposition deputies to hold the PDS at bay in the Chamber of Deputies.

"If we did this, the PDS would retaliate against us in the Senate."

Then he also inveighed against the proposed establishment of a parliamentary investigation commission to look into the National Service for Intelligence.

"What would that achieve? Parliamentary investigation commissions depend on cooperation from the executive branch, without which no practical result will be achieved."

His cleverness and his lumbering walk have already become famous in the political folklore of the country. Twenty years after his first effort to win government office in Minas Gerais, he has now succeeded in achieving his goal, thanks to the extraordinary stubbornness which characterizes the temperament of this unusual citizen of Minas Gerais from Sao Joao del Rey, where he was elected alderman and later public prosecutor. In 1947, he won a seat as a state deputy and led the opposition in the legislative assembly under the government of Milton Campos, when he was reelected a state deputy. In 1950, he was elected to the Chamber of Deputies, and 2 years later, Getulio Vargas asked him to serve as minister of justice. He was with the president of the republic throughout the entire Galeao investigation, and received from him the gold pen with which he signed the Letter Testament.

He was defeated by Magalhaes Pinto when he first ran for governor of Minas Gerais in 1960. A year after President Janio Quadros resigned, he was prime minister in the parliamentary government. With the fall of the Goulart government, he won election as a federal deputy for the MDB [Brazilian Democratic Movement], to which he had succeeded in winning over a small sector of the old PSD in Minas Gerais. Two years later, in 1978, he was elected to serve as a senator from Minas Gerais, with 1,737,000 votes.

The following year, he joined Magalhaes Pinto in the effort to form the Popular Party (PP), of which he became the national president. But with the government package establishing the general linking of votes and prohibiting party alliances, he decided the time had come for a response, and he became the main leader of the negotiations with a view to the incorporation of the PP in the PMDB.

With this merger completed, he developed as the natural opposition candidate in Minas Gerais for the gubernatorial post, which he won thanks to a campaign characterized by intensive popular mobilization and even the support of the former PSD adherents and the Kubitschek faction in Minas Gerais. He was elected by a vote of more than 2,600,000. Following the election, he had great difficulty in putting together his secretariat, a task which proved more difficult than winning the election at the polls.

Today, Tancredo urges a consensus so that the opposition can coexist peacefully with the Figueiredo government. Only, he will not even tolerate talk of his candidacy on the basis of such a consensus.

"I am not, I will not be, nor will I allow myself to be made a candidate for the presidency of the republic."

This is the best picture of a social democrat, an advocate of Christian-inspired reforms.

## GUERRILLA DIALOGUE DENOUNCED; BISHOPS' STAND CRITICIZED

San Salvador EL MUNDO in Spanish 11, 12 Apr 83

[Commentary by Rev Ricardo Fuentes Castellanos: "Peru Says 'No' to Dialogue with Communists"]

[11 Apr 83 p 6]

[Text] Here in El Salvador, the hierarchy of the Catholic Church--which has been headed by the name Apostolic Delegate for some time, and which recently widely publicized its "Days of Peace," for which posters with various Picasso-style drawings were made--has been insisting on a "dialogue" or negotiation with the communist guerrillas, in full agreement with the well-organized international campaign for a "negotiated solution." Meanwhile in South America, chiefly in Colombia, the policy of an "opening to the Left" of the pseudo-"conservative" president Belisario Betancur, who proclaimed an amnesty and negotiations with the guerrilla leaders, has been a great failure. The communist guerrillas have neither accepted "negotiations" with the government, nor have they availed themselves of the "amnesty" en masse. Aside from some sporadic cases, as we have had here, who accepted "amnesty", the majority have relentlessly continued their attacks on the civilian population, as well as their harassment of the military forces.

If we move on from Colombia to Peru, the situation there is not as tragic as the one in our country. In spite of having experienced the bitter years of socialism imposed "manu militari" by General Velasco Alvarado, alias "el Cholo," Peru has a democratic and "centrist" type government, headed by architect Fernando Belaunde Terry, a result of democratic elections. However, it also was faced with an assault by armed communists.

As a civilian government with a democratic mentality, it thought that it could confront the guerrillas by using the police and the Civil Guard. Since this did not produce the desired results--refuting the very debatable opinion of the well-known journalist, Mariano Grondona, who claimed in some article from Buenos Aires that democratic countries should not use the armed forces in struggling against terrorism (he used as an example the case of Italy and Germany, where the situation is completely different in many ways from that in Latin America, although leftists and terrorists always cause great harm to a country)--the government of President Belaunde in Peru felt obliged to use the army against the guerrillas.

Just as in Colombia and Peru, democratic and civilian governments have had to use the armed forces to combat guerrillas. Therefore the cases of Argentina, Brazil, Chile and Uruguay should not be forgotten; where in view of the seriousness of the political situation, as well as the Marxist threat and infiltration, the army and armed forces felt it necessary to take power to prevent the total disintegration of the country. These precedents are very relevant when we venture to dispute the perhaps well-intentioned but totally wrong position of the bishops of El Salvador. Through the Auxiliary Bishop of San Salvador, Msgr Gregorio Rosa Chavez, and in order to support the thesis of the "dialogue", they are using theological arguments which are morally completely beyond the grasp of the murderous gangs of the FFM and the FDR [Revolutionary Democratic Front] and they are asking the nation's armed forces to "embrace their enemies..." However, I have not seen the good bishops of El Salvador asking the subversive hordes to lay down their weapons and take up a life of peace, as they have asked the armed forces to do.

To support his "pacifist" thesis the Auxiliary Bishop, Monsignor Rosa Chavez, is trying to frighten us with the threat that unless there are given concessions which would be ominous for the fate of the nation, El Salvador is going to become enormous ruined graveyard...!

[12 Apr p 6]

Despite what is being said or may be said by the "progressive" or Marxophile bishops, who are blinded by their position, which is unilateral, or rather favors the communists and is against the armed forces, the real fact is that that argument was used against U.S. participation in Vietnam.

The sinister and devious Henry Kissinger "negotiated" peace in Vietnam with the communists; but the result of this was the Bolshevikization of the Indochinese peninsula, and the mass flight of thousands and thousands of innocent people who took to the sea or fled in boats to escape the communist terror.

Is this what the good bishops want to happen in El Salvador? Are they going to be very happy if thousands of us Salvadorans take to the sea and flee in boats toward the coast of California?

Or are they going to feel very pleased because the "catholic" ex-pupil of the Jesuits, Guillermo Ungo, may fill the role of the "trabucaire" [guerrilla] Nicaraguan priests and "close his eyes" to the oppression of the Catholic Church by the "Sandinists"?

Does Bishop Gregorio Rosa perhaps want them to give him the honorary title of "Commander," as the anti-Sandinist Nicaraguan patriots called the Bishop of Managua "Commander Miguel" at the height of the revolution?

8131

CSO: 3248/816

## ANTICOMMUNIST SECRET ARMY THREATENS DEPUTY

San Salvador EL MUNDO in Spanish 12 Apr 83 p 6

[Text] The body of a man presumed to be a guerrilla, with a note from the "Anti-communist Secret Army" threatening Deputy Mauricio Mazier Andino, was left last night in the parking lot of the Camino Real Hotel.

The victim, about 1.65 m. tall, was dressed in an olive green uniform with the emblem FPL [Faribundo Marti Popular Liberation Forces] on the pocket of his battle jacket.

The dead man had two bullet wounds in his chest. Beside him was a note, which among other things said, "in view of the fact that the laws of El Salvador only try to favor the criminals of the FMLN-FDR [Farabundo Marti National Liberation Front-Revolutionary Democratic Front], we have seen fit to take the harsh step of bringing to secret trial this FMLN terrorist who came down from the Guazapa hills to set fire to the Apopa gas station."

Further on the communique said: "In this way we are telling Deputy Mauricio Mazier Andino that we are not members of the Armed Forces, therefore we are not obliged to obey the orders which are imposed on them, and with which their hands are tied in fighting the guerrillas, and we will only cease our operations if the guerrillas stop carrying on their criminal struggle, lay down their weapons peacefully and rejoin their families and the nation. The communique says that Deputy Mazier Andino is being warned that civilians and military men who cooperate with the guerrillas will receive the same punishment.

They also tell Mazier to refrain from defending the guerrillas publicly; although they have learned by clandestine means about his connections with the people he defends, and they assert that if it is necessary they will release a report to the press of his links with the guerrillas.

Finally, Mazier Andino is threatened with meeting the same fate, because of what they call "his tendentious statements."

The body of the supposed guerrilla is in the morgue of the "Isidro Menendez" police station.

8131  
CSO: 3248/816

## BUONAFINA ACCUSES ECONOMICS MINISTER OF ECONOMY OF 'LYING' IN CANE DISPUTE

Guatemala City PRENSA LIBRE in Spanish 29 Apr 83 pp 13, 102

/Report on Interview with Nicolas Buonafina; date and place not specified/

/Text/ Interviewed at his residence yesterday, Nicolas Buonafina, technical advisor to the President of Guatemala, said that he is not afraid to appear in a court of law, because he has proof that Minister of Economy Julio Matheu misused his authority and lied in the cane dispute.

"I again confirm, affirm and maintain that Mr Matheu is lying and misusing his authority," he said, "and I can prove it definitively and conclusively. I look forward to being summoned to appear in court so that I may prove my accusation, not only to the President of Guatemala--which it is my duty to do--but also to public opinion."

/Question/ The President said at a press conference yesterday that whichever one of you turned out to be compromised in this affair would go to jail. What is your reaction to this?

/Answer/ Well, it seems to me that that is his personal opinion, and the legal particulars would have to be known; for a member of the government to make such a statement otherwise means prejudging the case. Moreover, under Article 2, paragraph 166 of the Penal Code, it can be shown irrefutably that I never insulted or defamed anyone but only acted in pursuance of my obligation as a public servant to uphold government policy against lying, stealing and misusing authority. Therefore, I think it should not be said that we could go to jail, because, in my opinion, there are many reasons for not saying this so impulsively, especially since these problems do not relate solely to the particular interests of cane growing or of a group of cane growers and a group of sugar manufacturers. This entails socioeconomic problems, problems of unemployment among farmers particularly and labor problems pertaining to carriers, problems that also affect the country's trade unions. They are very delicate problems that transcend the problems of two people who disagree with each other.

"Furthermore," he continued, "I maintain that, as every one knows, my government posts are very sensitive; I am a technical advisor to the President, which means that it is my responsibility to advise President Rios Montt in many fields, not just on cane growing. I am not specifically an agricultural or industrial

advisor but my field of responsibility covers a wide range, and, as president of the National Sugar Committee, I am the President's representative. This committee is made up of representatives of, for example, the AGA /General Association of Farmers/, Chamber of Agriculture and cane growers, and I have a duty toward this enormous community."

/Question/ What exactly is the origin of this problem?

/Answer/ The basic problem has many aspects that will be brought out in court; again I repeat that the minister of economy misused his authority to manipulate the National Sugar Committee, whereas he should have complied with the wishes of the committee, which is the ministry's only source of advice, since the end of October 1982 and he has only begun to comply within the last few weeks. Many ministerial resolutions have been issued, in which mention is made of the said committee's having been consulted and having accepted and concurred in these resolutions, but the fact is that the committee never was consulted nor gave its opinion on these matters. Besides, many of these resolutions can be impugned on the ground that they should have been decree-laws.

"In any case," added Buonafina, "there are, more or less, 12 or 14 questions (pardon the Anglicism) relating to all these aspects of misuse of authority and lying that, in due course, will be brought out in court."

/Question/ Why was this situation--which has become so heated--not handled privately but, on the contrary, has been brought into the public domain?

/Answer/ In my humble opinion, and with all due respect for the President of Guatemala, I think it would have been better to discuss the problems with the economics minister in his office, quietly and carefully, and to have avoided arriving at this pass, because it really is not appropriate for this to come to light in the way it has, since it could be detrimental to many other aspects that are related to the subject of the discussion itself, the country's cane growing industry.

/Question/ What, briefly, is the sugar problem as this sector is constituted?

/Answer/ The reply to your question cannot be summed up in a few words, but, basically, the sugar agro-industry is composed of cane raising entities and industrial entities. There are 20 sugar mills, but 18 of these have been, and still are, in disagreement with the Ministry of Economy's resolutions, since these favor 2 at the expense of the industrial community as a whole. Furthermore, these resolutions not only give rise to problems that affect the industry internally but also jeopardize the future of independent cane growing in this country, which is the context of the present problem.

/Question/ Every problem has a solution. So what is your solution to the present conflict?

/Answer/ In my humble opinion, pending adoption of a law regulating cane growing and sugar production--on which I have already presented a study to President Rios Montt, the Council of State and the AGA, I would note--the way to resolve the problem is to issue decree-laws, because ministerial resolutions may be generated by personal whim or by concern for the particular interests of certain entities within the context that I have mentioned.

PID: REAGAN NEEDS PLAN TO HALT SOCIALIST SPREAD IN CENTRAL AMERICA

Guatemala City PRENSA LIBRE in Spanish 29 Apr 83 p 24

/Text/ "The United States foresees serious dangers in Central America that could prejudice its interests, and this is why President Reagan is taking energetic measures," Oscar Humberto Rivas Garcia, secretary general of the Democratic Institutional Party (PID), said yesterday.

In addressing Congress, President Reagan focused on the problem represented by the advance of communism in the Central American region, not only for the area itself but also for the United States.

The top PID leader remarked that the U.S. chief executive's intentions are good but not only is communism in the region, it is on the "very doorstep of the United States."

#### Did Not Focus on Economic Aspects

Rivas Garcia pointed out that President Reagan's speech did not deal with the isthmus' economic problems, which are very serious and acute. "Many sectors of the population are confronting the apocalyptic horseman of hunger, and I think that, before speaking of a possible war, he should have stressed the U.S. position with regard to Central America's serious social problems.

"The PID believes that President Reagan should also develop a policy to obviate the possibility that socioeconomic problems might lead to a clash between brother nations, a clash stirred up by the socialist countries.

"Of course, the problem of hunger should not be resolved with donations or gifts but on the basis of a policy that shows understanding and respect for the peoples of the area.

"In sum," he concluded, "President Reagan's policy is positive for Central America, because otherwise communism would inexorably arrive."

12336  
CSO: 3248/783

## UNIDENTIFIED POLITICAL GROUP REPORTEDLY PLANNING RIOS ASSASSINATION

Guatemala City PRENSA LIBRE in Spanish 28 Apr 83 pp 2, 52

Text Referring to a political group that had contracted with three hired killers for his assassination, Gen Efrain Rios Montt, Guatemala's chief executive, said yesterday: "For those politicians who have always misled the people, assassinating a president is a good thing, and that is why they tried to eliminate me."

At a press conference held in the National Palace banquet hall shortly after noon, the chief executive said that he did not know which political organization it was that had hired assassins to kill him.

"The hired killers have not been captured and are in flight," he emphasized. "No doubt those behind the plot are politicians who are unhappy that we are establishing principles and providing education so that they cannot continue to manipulate and mislead the people."

"I wonder what is happening in Guatemala at the governmental level. We admit that there is a de facto government, because we are passing through a critical moment. One has to establish the basis for a democratic system."

"We are going to establish the legal, moral and ethical bases for national political development."

"The political parties have deceived us with their alleged 50,000 signatures. I have seen a book that is full of signatures, all with the same finger prints and arranged in the same way. They are angry and are trying to find a way to make the situation worse."

"Evil politicians want to eliminate the present president and are looking for a way to seize power, but they will not succeed, because the only way to remain in power is with the support of the people."

"The people have been manipulated and misled; for my part, I neither sought votes nor trampled people under foot to reach the presidency. I reached it with moral backing."

Upon being asked if he could name publicly the political group that had contracted with the assassins, the chief executive replied that he did not know the details of the plot, he only knew what the minister of government had told him.

"I am more concerned about certain political leaders whom they also intended to kill, because the latter might think that we are the guilty ones."

#### Courts of Special Jurisdiction

In recent months, Guatemala has been criticized abroad because of the operation here of courts of special jurisdiction, which have condemned 15 prisoners accused of various crimes to be executed.

Defending the existence of these courts, President Rios Montt said that, in 1981-82, more than 80 officials of the law were assassinated just because they defended or accused people who had violated the country's legal principles.

"These courts are different, because there is no publicity about them, but they have regulations that allow the accused to defend himself. Each case is investigated exhaustively, evidence is introduced, a judgment is rendered and the accused is declared guilty or innocent.

"More than 500 people have been tried in these courts; some have been sentenced to various penalties, many have been freed and 15 have been executed.

"The reconciliation amnesty can establish parameters to determine whether it is possible to do away with these courts; so, too, can the moral and ethical conscience of justice generally, which ought to prevail through the citizenry."

#### Guatemala's Image

When reference was made to the damage to Guatemala's image abroad, the President said, "We don't have foreign exchange to conduct publicity campaigns abroad.

"We can't bow down to the world at large nor try to remain on good terms with it. Those who want to destroy our national existence are well connected and take advantage of every opportunity to harm us.

"If we bow down to the world, to those abroad who pressure us, we would be on good terms with foreigners but the Guatemalans would consider us traitors."

#### Government's Duty to Guarantee Unions

President Rios met yesterday with union leaders who are trying to form the Confederation of Trade Union Unity (CUSG). Commenting on these discussions, the chief executive said that "they had asked to be guaranteed the right to organize."

"We recognize the need for trade unionism," he said, "and consider it vital for both workers and employers. It is our duty not only to support them but also to reorient them, to give both workers and employers a new educational concept.

We will ourselves give guarantees to the trade union movement but always on condition that it not be manipulated or depart from the relevant laws."

Case of Daniel Roca, an Example of Democracy

The reporters asked the head of government to comment on the statements made on television by the political leader Daniel Roca, who had severely criticized the present government authorities.

In reply, the chief executive said: "Is Daniel Roca still alive? That is the best answer that I can give you.

"It's an example of what democracy is, because he can say whatever he likes, whatever he thinks."

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CSO: 3248/783

## BRIEFS

RICE HARVEST PROBLEMS--GEORGETOWN, Guyana, Tuesday, (CANA)--Only 33 per cent of the 122 000 acres of land under rice cultivation here has been reaped because of continuing heavy rainfall, according to Guyana Rice Board (GRB) general manager Leon Dundas. Dundas, who recently visited three areas in the Berbice County, said the rain "makes it impossible for rice combines and harvesters to go into the rice growing areas to help in reaping operations." Originally the Board had set a target of 92 000 long tons for the first crop. But because of a drought followed by unseasonal rain, the state-run GRB was forced to slash its original first crop production target by 33 per cent. The Board is now expected to reap 60 000 long tons for the first crop. So far, Dundas said, the industry had produced 24 000 long tons of rice, and it was possible that the revised target would be achieved. The GRB general manager said he was still optimistic that the industry could achieve its 1983 overall target of 188 000 long tons which would represent an increase of 6 000 long tons over the 1982 output. [Bridgetown BARBADOS ADVOCATE in English 4 May 83 p 3]

CSO: 3298/601

## STONE FINDS U.S. INSISTENCE ON FREE MARKET INCONSISTENT

Kingston THE DAILY GLEANER in English 27 Apr 83 p 6

[Article by Carl Stone]

[Text] Last week I attended a conference on Caribbean international relations in Puerto Rico at which U.S. spokesmen and Caribbean spokesmen sharply disagreed on the U.S. World Bank and IMF position that the state should not play a prominent role in the production and distribution of goods and services in this region.

The whole issue of the role of the state in economic management and the role of market forces is fast becoming an item of political religion and dogma.

Marxists condemn the private sector's role for ideological reasons while the U.S., World Bank and IMF policy shapers are equally promoting a similar kind of blind faith in the magic of the free market.

Neither dogmatic position is acceptable to me. Neither has any basis in a careful examination of Caribbean reality which tells us from experience that there are some things that are best left in private sector hands and some other things that are best run by government corporations. More importantly, here in the Caribbean the state has to intervene in the workings of market forces to facilitate the achievement of critical public policy goals. In this respect the Caribbean is no different from Western Europe or the United States where the state tampers with market forces.

#### The Guinea Pigs

What is patently absurd is that these free market missionaries make a case for the removal of state intervention in market forces which is not acceptable to the political directorate or the people or the societies they come from. Yet we in the Caribbean are expected to become the guinea pigs and the experimental animals for the implementation of these dogmatic and ideologically rounded policy positions which have been thrown out in most western capitalist economies for good reasons.

A recent comment by Dr. Julia Bloch of the US AID in an interview with the GLEANER's Franklin McKnight illustrates the point rather well.

Dr. Bloch in commenting on the PL480 programme in Jamaica laments the fact that inflows of food for peace in the PL480 programme are being imported through the government's Jamaica Commodity Trading Corporation. She insists that such an arrangement must result in price dislocation and that it is preferable to have the inflow located in the hands of private sector interests.

### A little puzzled

Coming from a representative of a country where the state subsidises farmers to the tune of some \$20 billion (U.S.) in order to stabilise prices, one is left a little puzzled as to why an unregulated free market can work in Jamaica but obviously is not acceptable in the great U.S.A., that cradle of capitalism.

As for the suggested price dislocation, the fact is that food imports through the JCTC have delivered cheaper prices to consumers compared to the private sector arrangements that dominated these import channels before the corporation was set up. Surely the price dislocation in favour of greater food consumption by the poor is a worthwhile objective provided it does not disrupt the local food market.

The JLP Government must be commended for its pragmatism in not dismantling the JCTC in spite of heavy local and international pressure to do so.

Dr. Block and other PL480 administrators have been very critical of the Jamaican food for peace programme in so far as it is claimed by some experts that these food imports have brought pressure on local food producers and amount to a disincentive to local farmers.

### Free market regime

The case can clearly be validly made in relation to rice where local potential to produce has been deterred by imports. But the same cannot be said for either flour or cornmeal. We need these food imports in certain quantities. The challenge is to increase food exports and agricultural exports generally to be able to afford these imports.

The major factor which savaged the local market for domestic food crop production were the free market import regime (extolled by Dr. Bloch and others) which brought in large quantities of food items which displaced local farm products on the market, the tight monetary and fiscal policies which have depressed purchasing power in rural areas, and the decline in cash earnings from export agriculture and bauxite.

What the local farmer needs is a regulated economy which protects the local market for small farmers while providing incentives for those who have the capital, the know-how and the technology to move production in agricultural, horticultural and agro-industrial exports to boost our balance of payments position.

Blind faith in the free market has hurt our small farmers. The JCTC has not. We must be guided by a pragmatic sense of what works and what does not and not by ideological dogma.

Freeing up AMC retail distribution outlets to private management is a good move that will turn non-viable enterprises into viable enterprises. Turning over JCTC areas of food imports to private importers would be a backward step.

CSO: 3298/565

## PSUM INITIATES DRIVE FOR NATIONAL YOUTH ORGANIZATION

Mexico City UNOMASUNO in Spanish 25 Apr 83 p 3

[Article by Julio Hernandez and Emilio Lomas]

[Text] After analyzing the principal problems of Mexican youth and indicating the authoritarian and repressive character of the state with respect to the youth, the national youth assembly of the PSUM [Unified Socialist Party of Mexico] resolved to promote a national youth movement for socialism, independent of the government and the parties, that will bring together the new generations in a revolutionary program to fight for socialism, freedom and democracy.

On the second and final working day of the PSUM youth meeting, it was established that that new movement "should be organized in every barrio, municipality, ejido, work center and place of study and among sports teams and cultural groups, respecting and promoting youth's spontaneous forms of organization and expression."

The new movement could be defined as "antiauthoritarian and rebellious, anti-imperialist and anticapitalist, unitarian and internationalist" and it seeks to respond in an organized and free manner to the realization of the set of aspirations and concerns of youth.

In the assembly's resolution, it is pointed out that "the current crisis situation and the particular problems of youth require the organization of their rebellious actions and rejection. For some time, there has been a growing need to construct their own instrument for struggle, in which the youth may express their concerns and organize their political and cultural action in a revolutionary sense."

Having arisen out of the concerns of the youth of the PSUM, the movement "will not assume a party structure, nor will it represent a required waiting room for the PSUM." Representatives of other left-wing parties were also present in the initial work.

In stating what is being sought with the new movement, it was expressed that what is desired is "a place for identity and democratic formation that will be concerned with establishing new forms of youth sociability--an organization striving in various ways to give youth independent definition relative to society and the development of their potential for rebellion and antiauthoritarianism to transform the oppressive conditions prevailing in their daily life."

In addition, the mass youth movement for socialism "should constitute a clear alternative to the bourgeois ideology. With a program cemented in the principal demands of youth for jobs, education, recreation and political and social participation, there should be a combination of the struggle against social and political violence and the development of political and cultural actions that can influence the adaptation of a new ideological sphere for youth."

In the paragraph corresponding to the student movement, the resolution observes that "despite its enormous fighting tradition, the democratic student movement has not been able to unfold; it is dispersed and finds itself confronted; it lacks its own program for the academic, cultural and political transformation of the centers of study and it lacks clear objectives for joining the democratic struggle."

Therefore, and knowing that "the tendency toward unity of student forces is still weak and requires renewed actions and objectives, the PSUM will participate in a new effort to organize and coordinate students nationally, autonomous from the educational institutions and the state and without party incorporation, which requires freedom from any exclusivity or sectarianism."

In other considerations, it was stated that "the way of life imposed by the bourgeoisie, full of consumer expectations, passivity and individualism, cannot be identifiable with youth's aspirations for freedom, independence and solidarity.

"The antidemocracy and authoritarianism dominant in political and social relations are particularly manifested in the life of the youth," it was affirmed.

Then it was pointed out: "The development of youthful sexuality if repressed and distorted; military service is a disagreeable barrier to be surmounted, in which corruption, blackmail, despotism over the conscripts and the uselessness of the activities are the fundamental characteristics; dragnets, harrassment and extortion are the common denominator of police action in the people's barrios; drug addiction and alcoholism are on the increase and CREA because of its vertical nature, its paternalistic concept and the lack of youthful participation, is a failure."

9746  
CSO: 3248/778

PRI, PSUM MEMBERS CLASH; 3 KILLED, 10 INJURED

Mexico City EXCELSIOR in Spanish 27 Apr 83 pp 4, 23

[Article by Rogerio C. Armenta]

[Text] Chilpancingo, Guerrero, 26 April--Three persons were killed and another 10 were injured in a confrontation involving shooting and beatings last night in Sochiapa in the municipality of Alcozauca between members of the PRI and the PSUM [Unified Socialist Party of Mexico].

PSUM leader Othon Salazar, who was at the scene of the incident, was not injured and he disappeared.

Agustin Valades, Socialist Party spokesmen, charged in the state's Attorney General's Office that last night, during the inauguration of the police station in the town of Sochiapa, they were attacked by a group of PRI members.

He added that Placido Olivera Garcia, Martin Rosendo Pablo and another unidentified person died in the gun battle and that the wounded were taken to various hospitals in the area.

Carlos Payan Torres, state PSUM leader, said that PRI members Fabian Garcia and Belen Villanueva Andrade are responsible for the aggression.

For his part, Rosa Ojeda, PSUM leader, said that Garcia and Villaneuva hired the gunmen Antonio Rodriguez, Hermenegildo Villanueva, Angel Ramirez, Mario Gonzalez Rangel, Mario Gonzalez and Rogelio Gonzalez Rangel to shoot at the PSUM members who were gathered together in front of the town's police station.

PRI Claims "Provocation"

Meanwhile, Oscar Ramirez Mijares, PRI representative, blamed the events on Othon Salazar, PSUM leader, and on Abel Salazar, mayor of Alcozauca, as well as on Lorenzo Castro and Juan Manuel Hernandez, "who are always provoking PRI members."

He added that the local congress will be asked to take municipal powers away from Alcozauca and thus to dismiss Mayor Abel Salazar.

Cayetano Miguel Marquez and Elpidio Lopez Romero were seriously wounded in a confrontation involving guns and machetes that took place between peasants of Miahuatlan in the municipality of Tehuacan, Puebla, where just over 50 PSUM members attempted to burn down a dwelling to protest aggression against Lopez Romero.

Heriberto Aguilera Izquierdo, the agent of the Federal Public Ministry, consigned Cayetano Miguel Marquez before the penal judge. Marquez is in the Tehuacan Civil Hospital, as is Elpidio Lopez Romero.

The problem arose when Lopez Romero and Juan Ortega arrived at the house of Cayetano Miguel Marquez and attempted to take his money. On resisting, he was attacked, as were his wife Ascension Maria Garcia and his children Agustina and Jose Miguel, who countered the aggression and Juan Ortega fled.

Later, Ortega, accompanied by some 50 peasant supporters of the PSUM, arrived at the house of Cayetano and when they tried to set fire to it they were apprehended by the municipal police, according to Raymundo Vega y Crespo, correspondent in Puebla, Puebla.

#### PRI Members Demand Guarantees in Puebla

Moises Carrasco Malpica, state PRI director, demanded some guarantees from the state government--including the facts on the bloody events between PRI and PSUM members during the inauguration of a bus line in Moyotzingo, Puebla.

Meanwhile, Marco Antonio Saenz de Miera, state attorney general, affirmed that there is "absolute tranquility" in the town and that just over 30 agents of the state's Judicial Police, supported by some 60 members of the Preventive Police, are watching the town to avoid another confrontation.

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CSO: 3248/778

## CONASUPO DISCOURSES PANIC BUYING, HOARDING

Mexico City NOVEDADES in Spanish 27 Apr 83 p 7

[Text] The Government Basic Commodities Company [CONASUPO] cautioned consumers "no matter what their purchasing power, and especially the higher-income population, to avoid panic buying and even more so hoarding, inasmuch as this affects the availability of products, and as a result prices rise, the capacity of the production plant is exceeded and naturally this reduces the purchasing power of the family income."

It made this recommendation yesterday when it reported that the average monthly sales of beans made by CONASUPO through its system of stores and through the Small Business Promoter are of the order of 50,000 tons.

## IMPECASA Sales

It also stated that in a few days it will inform the consumer what sales outlets will be used in addition to the stores and businesses affiliated with IMPECASA [Small Business Promoter], the type and volume of acquisition and the price at which it may be purchased, taking into account the estimated reduction of some 20 percent for the preferential varieties and a larger reduction for the popular ones.

Also it was confirmed that sometime this week, according to the Secretariat of Commerce and Industrial Development, coordinator of the permanent production program, Supply and Control of the Basic Package for Popular Consumption, CONASUPO will disclose the distribution channels, in addition to its system of stores and the businesses affiliated with IMPECASA for the sale of up to 760,000 tons of the different varieties of beans that it handles.

## Supply Assured

During the discussion of the monthly volume of 50,000 tons it was mentioned that at the beginning of this year the institution was in possession of a supply of almost 800,000 tons of beans. "According to these figures, the normal supply for 1 year is completely assured, regardless of the amounts that could be collected from the harvest of the present season."

It is specified that the popular varieties that CONASUPO handles through its sales outlets are: Ojo de Cabra, Pinto, Negro, Queretaro, San Luis, Pastilla, Bayo Blanco, Gargancillo, Amapolo and Bayo Menudo. Also that the preferred varieties are: Negro Jamapa, Azufrado, Canario, Flor de Mayo and Cacahuate.

"It should be pointed out--CONASUPO stresses--that precisely because of this situation, as it also happens with other products such as rice, cotton seed, safflower and sesame seed, it will not be necessary to make purchases abroad."

Regarding rice, it has been reported that at the end of March, CONASUPO had a supply of over 77,000 tons. The monthly average demand has remained on the order of 15,000 tons. National large-volume purchases are made during the months of April, May and June. The supply of this product is thus also assured.

#### Monthly Production

Regarding other products, CONASUPO asserts that it is already producing the following quantities monthly: 10 million liters of oil; 90 million liters of milk; 1,000 tons of noodles for soup; 40,000 tons of corn meal (10,000 of Iconsa and 30,000 of Minsa); 16,000 tons of wheat flour and 50,000 tons of by-products for animal consumption. Regarding noodles for soup, the increase in production has been 95 percent over what was produced in November of 1982.

It should be noted that although CONASUPO does not actually cover the entire market in this field, with the support and combined efforts of the private sector during the current year it can be assured that "the supply of the products of the Basic Package for Popular Consumption is guaranteed, at current prices."

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CSO: 3248/759

## CONASUPO SETS UP FOOD DISTRIBUTION SYSTEM AT LOWER PRICES

Mexico City EXCELSIOR in Spanish 30 Apr 83 pp 5, 26

[Text] Starting today CONASUPO [Government Basic Commodities Company] will put up for sale 760,000 tons of various types of beans and 130,000 fresh chickens at prices considerably lower than the usual market prices.

The company reported that the beans would be sold retail through 11,000 urban and rural stores of its marketing system, and wholesale in 11 states and in the Federal District, with credit of up to 90 days.

Regarding the sale of chickens, this was started effectively yesterday in eight of the company's commercial centers and in two CONASUPO markets located in the Federal District and the surrounding area. The price is 115 pesos per kilogram. The chickens come from the state of Puebla.

CONASUPO's department for coordinating promotion and advertisement also disclosed that the sale of chickens will continue today and will conclude tomorrow, Sunday, and on week-ends during the month of May [as published]. This is a pilot program depending on popular response for its permanent implementation.

As for beans, these will be sold at 23.30 pesos per kilogram in the urban sector and at 21 pesos in the rural areas. The difference in price, it was explained, is due to the fact that in the first instance the product is packaged and in the second it is sold in bulk.

There will also be a 20 percent discount in the wholesale price of beans, so that wholesalers, packers and businesses in general should pass the discount on to the final consumer.

Wholesale products will be sold, in quantities of 10 tons or more, in the states of Chihuahua, Durango, Jalisco, Sinaloa, Veracruz, Coahuila, Guanajuato, Sonora, Yucatan and Puebla through Conasupo Rural Warehouses and the National Storage Warehouses.

The supply of beans to wholesalers will be through Small Business Promoter, a subsidiary of CONASUPO, which was 11,420 members (in all of IMPECSA) throughout the country who will expedite the distribution of the product. [as published].

### Farm Fresh Chicken

Regarding the chickens, CONASUPO insisted that they are farm fresh birds from Puebla, with whose poultry breeders the company signed an agreement.

Through this document the suppliers agreed to sell fresh "market-type" chicken directly to the public, meaning by this the whole chicken, including head, legs and innards. The producers agreed to sell to the public at a price lower than the current market price.

CONASUPO will keep track of the quality through a veterinarian and a technician at the supplying slaughterhouse, who will verify that the bird has been slaughtered a day before it is sold.

The producers signed the agreement so that the chickens remaining the day they are to be sold will be definitely removed and will not be offered for sale again. CONASUPO, for its part, will offer, free of charge, the necessary space in its commercial outlets for conducting the sale.

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CSO: 3248/759

## SUPPLY OF BASIC FOODS ASSURED THROUGH YEAR'S END

Mexico City EXCELSIOR in Spanish Apr 83 pp 5, 29

[Text] As part of the production program Supply and Control of the Basic Package for Popular Consumption, the price of beans has been reduced by 20 percent and that of rice will remain the same for the rest of the present agricultural season, the Secretariat of Commerce and Industrial Development said yesterday after stating that the supply of food for the public "is assured for the rest of the year."

Meanwhile the president of the Mexico City Chamber of Commerce [CANACO], Fernando Marina Janet, on confirming the commitment of the capital's commercial organizations to the distribution of the Basic Package, demanded that CONASUPO [Government Basic Commodities Company] eliminate the quota system used at the present time in supplying these consumer goods.

SECOFIN [Secretariat of Commerce and Industrial Development] reported that the Federal Government has strengthened its normative activities and its orientation of the public with the purpose of avoiding abuses against the country's economy.

Also, it explained, new solidary groups for collective purchasing are being formed by consumers and labor groups, and the provisioning of union stores and the delivery of basic foods is proceeding on a large scale, utilizing the official agencies to full capacity.

In a press release Marina Janet said that if the supply of these products were increased, no doubt it would be possible for all commercial establishments to distribute them, thus benefiting a larger number of Mexicans.

He said that business organizations supported the Basic Package from the start and in addition to designing a symbol to identify its location in the business establishments for the convenience of the consumer, even endorsed this decision publicly.

### There Will Be a Financial Boost

SECOFIN stated in another press release that for 1983 it can certainly depend on the stock and supply of edible oils and fats, sugar, coffee, meats, tortillas, salt, bread, crackers, noodles for soup, eggs, milk, beans, rice, tuna and sardines obtained from domestic sources or by resorting to already negotiated complementary imports.

It explained that the availability of 761,000 tons of beans would allow CONASUPO to offer them to the public at prices 20 percent lower than what it had been getting to date. Private businesses will also sell this product to consumers at the same discount price, it added.

It reported that as part of the objectives of the Basic Package in stimulating and fomenting the production of the necessary consumer goods, CONASUPO's industrial plant has substantially increased the production of basic foods, especially that of edible oil, milk, noodles, flour and lard.

It stated that the decentralized operation increased the production of basic foods by 95 percent during the last 5 months.

SECOFIN added that the national banking community will also devote considerable resources to fomenting the production of the Basic Package articles as a way of supporting national priorities.

In order to maintain the purchasing power of salaries, more than 1,800 collective purchasing groups have been formed and it is expected that by the end of 1983 there will be 5,000 of them representing more than 100,000 families, said the secretariat.

It stated that 1.5 million basic food packages have been distributed among the poorest sector of the population. The capability exists for distributing 10 million of them.

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CSO: 3248/759

## HIGH PRODUCTION COSTS CONTRIBUTE TO SEVERE MILK SHORTAGE

Mexico City EL DIA in Spanish 20 May 83 p 9

[Excerpt] Hermosilla, Sonora, 19 May--Milk production in Mexico has been falling for the last 15 years and could end completely.

Eighteen million liters per day are needed to supply the national market and only 7.9 million are produced. The shortage has to be covered by importing powdered milk which CONASUPO [National Company for Basic Commodities] does. This year such purchases are on the order of 200,000 tons which, if we consider the government to government special prices that our country gets, these imports would cost more than 20 billion pesos, that is approximately 200 million dollars.

Oscar Mange Contreras, coordinator of the National Commission for Milk, said producers are always accused of wanting to solve the milk production problem by increasing prices and getting substantial credits, for which there have never been sufficient resources to be granted to meet the real needs.

For this commission, the only way to get real increases in milk production would be to import 50,000 calves valued at 1,250 dollars each, which would give us a total of 62.5 million dollars. Assuming an exchange rate of 100 pesos to the dollar, this gives us a total value in national currency of 6.25 million pesos. To this would be added an additional investment of 3.25 million pesos for expanding installations and investing in planting fodder, which would give us a total investment of 9.5 million pesos.

Assuming 50,000 calves were imported, you would get a real increase of approximately 250 million liters per year, production that would stabilize the supply of pasteurized milk throughout the country, because it would be distributed to all milk producing areas.

This program would depend on the Confederation convincing the dairy farmers to be ready to reinvest the profits in amortizing credits and interests provided that these are calculated in direct proportion to the margin of profit which is determined after resolving the problem of increases in the price of pasteurized milk. With regard to guarantees, the Milk Commission does not believe there will be problems because these would be the dairies that would be left after the present crisis of dairy cows end.

Production in La Laguna has been noticeably reduced, between 1974 and 1976 there were 1.45 million liters produced daily of which 800,000 liters were sent to the Federal District, today only 550,000 are sent.

The reason for this decrease is the high cost of transportation for which it is more cost effective to send the product to Monterrey. Nevertheless, Jorge Antonio Gomez, president of the Durango Cattle Union stated that if the authorities do not understand the problem, this production may be given up.

He confirmed Mange's statement and said that it is necessary to import replacement calves but until now there are no resources to buy that cattle. Meanwhile cows are sent to slaughterhouse weighing about 500 kilos which is no longer profitable and for which they are paid about 30,000 pesos for each animal which costs them between 700,000 and 1,200 dollars. [All figures as received].

Another option taken by the La Laguna dairy farmers in view of the lack of production incentive, has been making cheeses because it is more profitable. This has been an alternative in view of the lack of capacity to process the entire production.

Independently of the aforementioned it now seems that it is easier to sell "unprocessed" milk because the producer sells the pasteurized milk for 21.50 pesos per liter, while "unprocessed" milk is sold for more than 30 pesos and without health controls. In addition for processed milk you have to deduct the cost of the container which is about 4.5 pesos.

Nevertheless, he added, we are slightly hopeful there will be improvements because in La Laguna milk is a traditional business.

## BRIEFS

INTERNATIONAL RESERVES GROWTH--The Central Bank's net international reserves have increased 0.6 percent during the first quarter, which means an additional \$3,996,000 are available as compared to 31 December 1982, bank sources reported. Net international reserves up to 31 March amounted to \$656 million against \$652 million in December 1982. [Excerpt] [Asuncion ABC COLOR in Spanish 20 May 83 p 16 PY]

CSO: 3348/439

## TRADE SURPLUS WITH JAPAN \$217.8 MILLION IN 1982

Lima EL COMERCIO in Spanish 25 April 1982 p A 17

[Text] In 1982, Peru had a surplus of 217.8 million dollars in trade with Japan.

In 1981 the surplus was 252.2 million dollars, and Peru's exports to Japan have favored Peru by a wide margin for many years now.

According to data supplied by the Ministry of Finances and JETRO, the Official Japanese Organization for Foreign Trade, Peru's exports to Japan totaled 541.1 million dollars, as opposed to 602.2 million in 1981.

On the other hand, Japanese products imported by Peru in 1982 reached 323.3 million dollars, representing a change of less than 7.6 percent.

As is already traditional in trade between the two countries, Peru's main export to Japan continued to be metal and non-ferrous ores, with a value of 174.1 million dollars.

Of this total, iron ore accounted for 73 million dollars, copper for 28.1 million, lead for 30.6 million, and zinc for 40.8 million.

In 1981, lead and zinc exports declined by 39.7 and 36.9 percent, respectively. By contrast, iron and copper ore increased respectively by 10.3 and 7.0 percent.

In recent years, petroleum has played an increasingly important role in Peru's exports to Japan. In 1982, the value of petroleum exports was 186.7 million dollars, while in 1981 petroleum exports totaled 193.4 million.

As for foodstuffs, coffee was the main item exported to Japan, with a value of 12.1 million dollars.

Exports of non-traditional manufactured products reached a sum of 141.7 million dollars. This item began to be important in trade with Japan in recent years. In this respect, the exposition of non-traditional Peruvian

products held in Tokyo with solid support from JETRO in November, 1981, was significant. The show was organized by FOPEX, and the then vice minister of commerce for Peru, Dr Roberto Abusada, attended the inauguration.

Japanese sales to Peru include a vast range of heavy industrial products valued at 287 million dollars, as opposed to 304.6 million in 1981, which represents a decline of 5.8 percent.

Under this general heading, Peru imported chemicals, artificial plastic materials, manufactured metal products made of iron and steel such as bars, rods, form angles, sections, plates, laminates and tubes.

JAPANESE EXPORTS TO PERU

JAPANESE IMPORTS FROM PERU

Year	Value	Change (%)	Value	Change (%)	Balance
1978	94.5	31.8	299.0	1.5	204.5
1979	141.9	50.2	511.1	70.9	369.2
1980	306.1	115.7	475.2	7.0	169.1
1981	350.1	14.3	602.2	26.7	252.2
1982	323.4	7.6	541.2	10.1	217.8

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CSO: 3348/363

## NEW INTERIOR MINISTER ON TERRORISM, HUMAN RIGHTS

Lima CARETAS in Spanish 2 May 83 pp 28-30

[Interview with Luis Percovich Roca, minister of the interior, by Gustavo Gorriti Ellenbogen, of CARETAS, on the occasion of Percovich's assumption of office; date and place not specified]

[Text] It is unusual these days to meet someone who claims to have been present at a miraculous vision. Luis Percovich Roca, the new minister of the interior, is one of them (Our Lady of Lourdes, when he was 7 years old, in 1938). In addition to miracles, there are other unusual aspects to Percovich. His political career, for example, which carried him to a meteoric and unexpected parliamentary prominence as virtual leader of the provincial bloc of action-populist deputies, president of the chamber of deputies, the ephemeral but successful minister of fisheries, and now minister of the interior. One week after taking office, Percovich, accompanied by CARETAS, toured various police departments and then granted the following interview.

[Question] And now, Dr Percovich, on taking office as minister of the interior, will you need a new vision of Our Lady of Lourdes?

[Answer] No, I don't think a new vision is needed. What I cannot deny is that in discharging duties that are this complex and difficult, one needs not only will, work, and sacrifice, but also a mind guided by divine protection, so that the steps one takes and the decisions one makes will be well-directed.

[Question] Do you believe it was wise to accept the office of minister, given the effort it will require?

[Answer] I am a party man...

[Question] An interchangeable aparatchik?

[Answer] Apart from any opinion others may hold of what it means to be active in a political party, I believe that when one belongs to a particular party and assumes certain obligations, one must accept other responsibilities, even if they involve major risks.

[Question] In other words, the potential candidate Percovich defers to the current minister of the interior...

[Answer] Potential candidate? I do not aspire to any other candidacy.

[Question] What? You don't aspire to be reelected in 1985?

[Answer] Doubtless if the party offers the opportunity to run once again for deputy or senator, I would accept, but as far as aspiring to any higher office goes, not at all. The political wear and tear of being interior minister doesn't frighten me.

[Question] But in terms of reelection to the office of deputy or senator in 1985, don't you think your present post could affect your chances substantially?

[Answer] I don't think so, because the people, those who are members of the party and those who are not, know that I have taken office at an extremely difficult time, when a series of problems affects this branch of government; and no matter how hard one tries, or how much one gives to the performance of his duties, it will undoubtedly be difficult to obtain optimal results.

[Question] Partisans of Alva have long sought to control the Ministry of the Interior; apparently, one way or another, they have won the day. Would you agree with this?

[Answer] I personally know of no special effort by Dr Alva to place any of his sympathizers at Interior. On the other hand, my presence here is not due to any pressure or special interest, but solely and exclusively to the offer the president of the republic made me at an unexpected moment, I believe without consulting anyone.

[Question] How long did you take to think over your reply to the president?

[Answer] About 12 hours.

[Question] Don't you think that some of the factors that led to the early resignation of Mr Rincon Bazo may have an effect on your term in office?

[Answer] I don't see how. I believe that the administration of each minister is totally independent of that of his predecessors or successors.

[Question] What changes do you expect to make in the leadership of the Police Force?

[Answer] At this time, I don't think there is anything that would justify changes that could be announced now, but this does not mean that as days pass and events take their course there will not be possible occasions for change.

[Question] Have you set yourself a deadline for making changes or confirming anyone in office?

[Answer] When I took office as minister of fisheries I accepted the resignations of all the area directors, and I reserved the right to make administrative changes until I had proved the situation and formed a more solid opinion of the record of each official. I think this is the policy that should be followed in the ministry of the interior as well. We have to perform a tranquil, unhurried investigation.

[Question] What is your opinion, on taking office, of the problem of senderista [Shining Path] violence?

[Answer] In my opinion, acts of violence directed at destruction of public property have declined notably. Instead, we have more recently seen, to a certain extent, a resurgence of attacks against peasants, I think because of a sense of disconcertedness among the ranks of the senderistas. On the other hand, the ministry of the interior has no part in decisions involving antisubversion strategy in that area.

[Question] And do you think that is proper?

[Answer] I believe it is proper, because where a military command exists, if the minister of the interior were to intervene, he would be undermining the authority of the military's political command, in addition to creating confusion concerning decisions that need to be made.

[Question] What is your opinion of the way the senderista problem has been handled during the first 2 years?

[Answer] It was not handled well initially.

[Question] But once the reality became apparent, did the government handle the problem well or not?

[Answer] They opted first for the exclusive use of the police force. After a few months, it was shown that this evaluation was inaccurate. But, on the other hand, if there had been a hard intervention from the very beginning, it would have been criticized. And I should add that all subversive processes initially take society by surprise. I could mention the cases of Argentina, Uruguay, Germany, or Italy.

[Question] Speaking of Argentina and Uruguay, would you subscribe to their methods of counterinsurgency pressure?

[Answer] There are systems that cannot under any circumstances be applied in our country. They exercised extremely hard repression. Here the only ones who act cruelly are the senderistas.

[Question] With respect to human rights, in relation to police action, what will your office's position be?

[Answer] In my first meetings with the heads of the Civil Guard, the PIP [Peruvian Investigative Police], and the GR [Republican Guard of Peru], I have requested a maximum of thoughtfulness and serenity in conflicts in which they are called upon to act, without thereby allowing the law to be evaded at any time.

[Question] Repression of drug traffic falls directly under this ministry's jurisdiction, but in this regard there has been outright deterioration. Do you agree with this?

[Answer] Yes, I wish to point out that in the war against drugs we have not yet attained the desired results, that the actions we have taken have not been sufficiently successful for a variety of reasons; in the first place, implementation of the agencies charged with fighting drug traffic--they are lacking the almost every resource, whereas drug dealers can count not only on resources of mobility and communication, but also arms and other facilities, and the economic power to bend many to their will.

[Question] And eventually to gain political power...

[Answer] I don't think so... I wouldn't go so far as to make claims, because I personally know nothing concrete. I believe that in this struggle against narcotics, taking into account this country's limitations for taking up such a struggle efficiently, things being so unequal, it is essential for the nations that consume the drugs, in our case basically the United States, to take a more effective and dynamic part.

[Question] Are you going to push for more aid?

[Answer] I wouldn't say push, but we are going to follow procedures at the appropriate agencies to get them to give more aid.

[Question] Do you believe there is a morality problem among the members of the police force?

[Answer] Doubtless there are problems, but one cannot generalize. What there is does not affect the respectability of the institution itself, but neither does it obviate the necessity of carrying out a rigorous investigation and exercising strict control over the force's actions.

[Question] And don't you think there is also a problem of discipline, especially among the higher-ranking officers?

[Answer] It has only been 3 or 4 days since I took office at Interior, and I think that to judge specific levels of the police force with respect to their behavior would be somewhat premature on my part...

[Question] There is a discipline problem of perhaps a somewhat different nature, and which has more to do with internal struggles for power within each institution. Don't you think that a great deal of this had to do with the fall of your predecessor?

[Answer] I am not able to form a judgment on the question you are asking me. From my conversations with Fernando Rincon, I know that he resigned for personal reasons, but the internal developments that may have taken place during his period in office, he did not discuss with me. So I couldn't make any statement with regard to certain speculations that have been circulating recently.

[Question] There is a certain auction that may be part of the problem, which was suspended by order of former minister Rincon, precisely. What do you intend to do with it--re-activate it, or call for a new auction?

[Answer] I have asked a committee to review the auction, to report to me the various points of view, as to whether or not it is objectionable, or what kinds of errors may have been committed during the course of it.

[Question] Will you act in accordance with the report of this committee?

[Answer] Their report will serve me as a guideline. It depends on the forcefulness of the report, on the arguments used in the report, what my decision will be.

[Question] There is, as you know, a particularly controversial aspect in a previous auction, which has to do with the purchase of some horses in Argentina. Have you taken any action in this regard?

[Answer] Those who were awarded the contract have already met with me in my office to express their point of view. They left some paperwork, including photographs of the horses that were to be selected in Argentina. It is possible that we will have to form another committee to meet in Argentina and verify the statements of those who won the contract. To see whether reality coincides with their statements, or those of the committee that visited Argentina previously.

[Question] In principle, would you like to continue at this post until the current administration leaves office, or have you set yourself a limit instead?

[Answer] As long as I can execute my duties efficiently, and I believe that my actions are positive for this branch of government, and correspondingly, as long as I enjoy the confidence of the president of the republic, I will remain at my post at the ministry of the interior. But if I feel personally that my service is not satisfactory, I will be the first to offer my immediate resignation and leave office, without expecting any other political post.

[Question] But haven't you set yourself a limit that would allow you to engage in an electoral campaign in Chimbote for 1985?

[Answer] If it is necessary, and the party should require my participation in an electoral campaign, without a doubt I would have to leave office for legal reasons.

[Question] There are at the ministry certain populist officials who are not exactly close nor sympathetic to Senator Alva. Will this have an effect on their job security?

[Answer] No. Absolutely not. What we want here is separate efficiency, whether or not officials belong to the party, or enjoy some preference within the party. Decisions made by the minister will be his own, and will be separate from any considerations of a political or personal nature.

[Question] Do you feel comfortable here? What do you make of Luis Percovich in his post as head of the police force charged with the internal government of the republic?

[Answer] As far as comfort goes, I have felt more comfortable with the positions I held on the chamber of deputies' budget committee. But I cannot say that I feel uncomfortable here, although I do indeed feel profoundly concerned about the enormous responsibility this brings. I think that in an office such as minister of the interior, it is not impossible to fulfill one's duties in spite of the complexity and difficulty of the situation. And finally, I don't think that a politician is incapable of performing certain duties, because basically cabinet posts are political offices. Technical matters are assigned to those who have special training, but leadership in such an office is basically a political matter.

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COUNTRY SECTION

ST VINCENT AND THE GRENADINES

BRIEFS

VISA RACKET--KINGSTON, May 10 (CANA)--The police today said they were holding a Vincentian man for questioning in connection with a racket involving the issue of false documents for islanders trying to get United States visas. The police said they had seized 94 St. Vincent and the Grenadines passports, together with letterheads from local commercial banks, Government departments and private companies during a weekend raid of the man's home at New Montrose in Kingstown, the capital. No formal charge has been made against the man, whose name was withheld from the press. [Kingston THE DAILY GLEANER in English 11 May 83 p 2]

CSO: 3298/603

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